



# Tailwinds

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4Q 2025 Macro and  
Markets Review

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# 2025 Underscores Time-Tested Investment Advice

Portfolio  
Construction Focus on  
Downside Protection Private Tax-Loss  
Alternatives Harvesting  
**Diversification**  
Active Managers Staying Invested  
Risk Management Strategic Planning  
Dollar-Cost Averaging  
Balance Don't Market  
Long-Term View Time

As of December 31, 2025.  
Source: Bernstein analysis

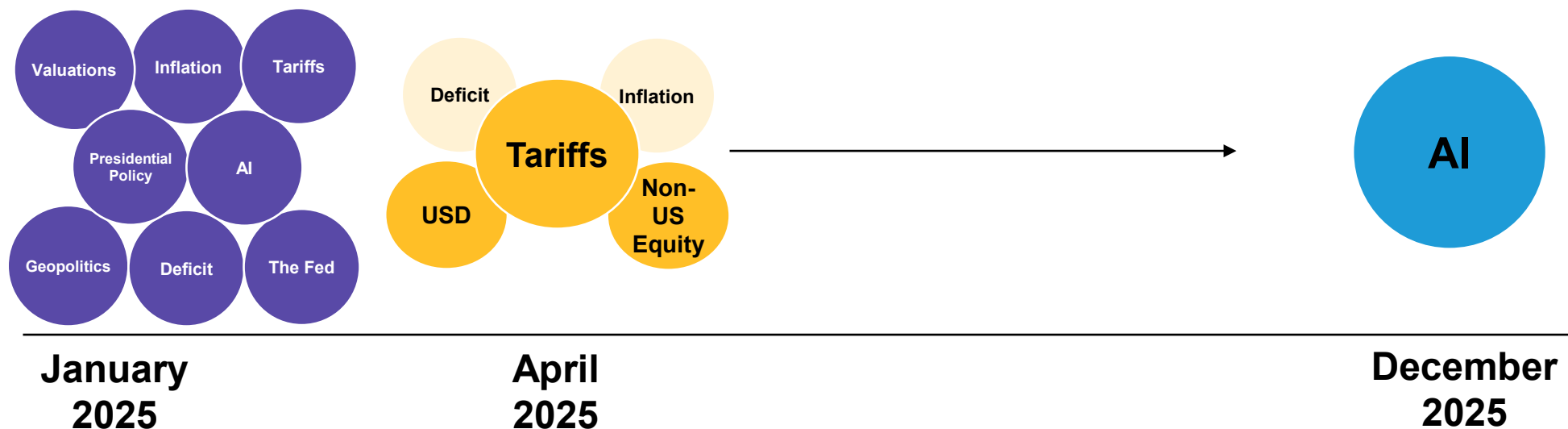
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## AB's 2025 Advice Amid Volatility

- “Market timing and meaningful de-risking once already in a downturn can add further risk to portfolios...”
- “...we take great pains in the construction of portfolios to make sure that even in periodic downturns such as this, your financial position remains sound and can deliver your long-term financial goals...for most people, we do not recommend changing your positions meaningfully.”
- “...the best approach to navigate the ongoing economic and market uncertainty is to be diversified, across both equity and fixed income, and public and private markets.”
- “For those with cash to deploy into a long-term allocation, the volatility evident today may present a valuable entry point...”
- “...it's worth considering buffered ETFs, hedge funds, and securitized assets in today's environment...any portfolio moves should be deliberate.”
- “...proactive steps such as executing Roth conversions, engaging in tax-loss harvesting, and implementing wealth transfer strategies...can effectively capitalize on market downturns.”

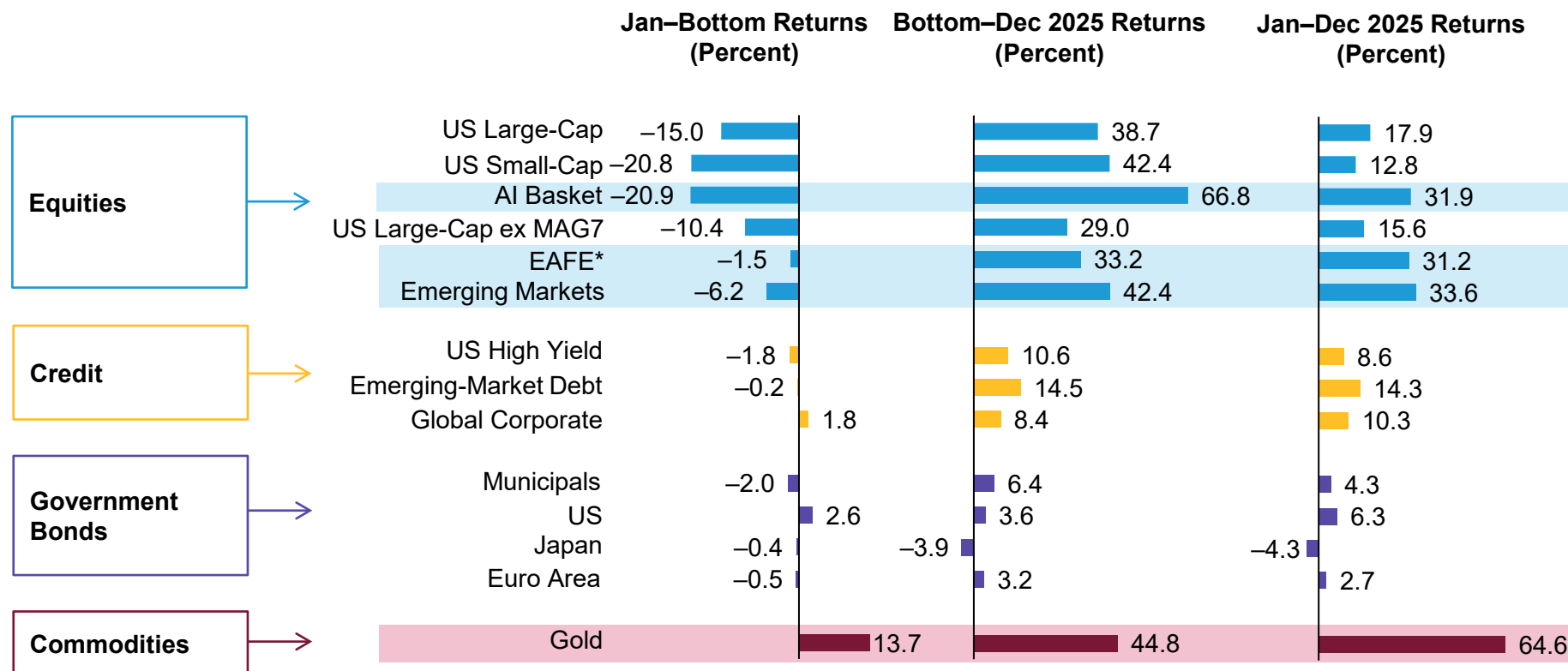
# 2025 Began with Many Key Themes, but Only One Dominated in the End

AI took the spotlight after tariffs shook markets earlier in the year



As of December 31, 2025. **Current analysis and forecasts do not guarantee future results.**  
Source: Bernstein analysis

# Another Solid Year for Investors—AI, Non-US Equity, and Gold Stand Out



As of December 31, 2025. **Past performance does not guarantee future results.** Bottom defined as April 8, 2025. Returns in US dollars. EAFE and emerging-market returns are net returns; all other returns are total returns. Japan government bonds are in hedged USD terms. All other non-US returns are in unhedged USD terms. US large-cap is represented by the S&P 500. US small-cap is represented by the Russell 2000. US large-cap ex magnificent 7 is represented by the Bloomberg US Large Cap ex magnificent 7 Total Return. AI Basket is represented by the Bloomberg Artificial Intelligence Aggregate Total Return. Gold represented by the Gold Spot \$/Oz. An investor cannot invest directly in an index, and its performance does not reflect the performance of any AB portfolio. The unmanaged index does not reflect the fees and expenses associated with the active management of a portfolio.

\*Europe, Australasia, and the Far East.

Source: Bloomberg, FTSE Russell, S&P, and AB

# Where We Were Right and Where We Were Wrong in 2025

## Our Expectation

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- ✓ **“We think the equity bull run continues given solid macro and micro growth.”** – *December 2024*
- ✗ **“Our base case for the S&P 500 is 9% earnings growth and a level of 6,400.”** – *December 2024*
- ✓ **“Our bear case for the S&P 500 is a level of 4,800, which would necessitate an exogenous shock.”** – *December 2024*
- ✓ **“Our early assumption is a 10% increase in aggregate effective tariff rate.”** – *December 2024*
- ✓ **“Remain global in equities. There are positive drivers for non-US markets.”** – *March 2025*
- ✓ **“Our base case assumes fed funds approaches 3.625% by year-end 2025.”** – *December 2024*
- ✗ **“Our year-end 2025 forecast is a 10-year yield at 3.75%.”** – *December 2024*

## Outcome

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After April's sell-off, the pause on tariffs, optimism around the AI theme, and economic resilience supported the bull market.

2025 earnings growth of ~12.5% aligned more closely with our bull case, while the index closed higher than expected at 6,846.

The “Liberation Day” tariff announcement in April resulted in an intra-day low precisely in line with our bear case.

While the initial tariffs announced substantially exceeded expectations, trade deals implemented ultimately resulted in an increase of ~10% in the effective tariff rate.

Non-US equities outperformed US equities in 2025, broadly supported by attractive valuations and resilient corporate activity, while a softer dollar also bolstered returns.

Observing downside risks to the labor market, the FOMC cut rates three times in 2025, finishing at 3.625%.

The 10-year yield remained higher than expected, ending the year at 4.18%, as inflation and fiscal pressures persisted.

As of December 31, 2025.  
Source: FactSet and Bernstein analysis

# 2026 Questions On Our Mind



**How will AI spend evolve? When will monetization arrive, and which firms will capture profit pools?**



**How is the changing world order being expressed in the financial markets?**



**Has the labor market bottomed or is it still weakening?**



**Can SPX EPS growth remain robust (10+%)?**



**When will the next downturn occur and how acute will it be?**



**What will the macro and market impact of the fiscal stimulus package (OBBBA) look like?**



**What will be the key drivers of rates? Who will the new chair of the FOMC be and what impact will they have?**

# 4Q 2025: Tailwinds

## Eyeing the Supportive Factors for 2026

- Another year of 10%+ EPS growth
- Visibility on continued AI infrastructure spend
- Easing monetary policy
- Fiscal expansion
- Wealth effect for higher net worth households to support consumer spending
- Easing year-over-year inflation in 2H as the economy comps the tariff implementation

## And Yet Conscious of the Risks

- Delayed or disappointing AI monetization
- Weakening labor market
- Too high expectations for EPS growth and market appreciation
- Geopolitical and/or exogenous risk
- Midterm elections

As of December 31, 2025. **Current analysis and forecasts do not guarantee future results.**  
Source: Bernstein analysis

# Macro Outlook

# Our Key Economic and Market Expectations for 2025 and 2026

- **US Growth:** Diminished policy uncertainty and supportive tailwinds, such as AI adoption, should continue expansion in a more stable 2026.
- **Monetary Policy:** The Fed will keep balancing the dual components of its mandate, using the room remaining to maneuver toward neutral to support the labor market.
- **Inflation:** Although prices may remain elevated, the rate of inflation should moderate, enabling near term focus to stay on the labor side of the mandate.
- **SPX Expectations:** With Fed easing continuing and the outlook for corporate profitability improving, we assume another solid EPS growth year. Together with similar valuations, we may see SPX 7,400 by YE 2026.

	2025**	Forecast 2026
US GDP*	1.9%	2.0%
YoY Methodology*	2.1%	1.9%
Policy Range	3.50% - 3.75%	2.50% - 2.75%
10Y Treasury Rate	4.18%	3.75%
US Inflation	3.0%	2.5%

	2025**	Forecast 2026
SPX EPS Growth	9.5%	12.5%
SPX Base Case Assumption	6,846	7,400

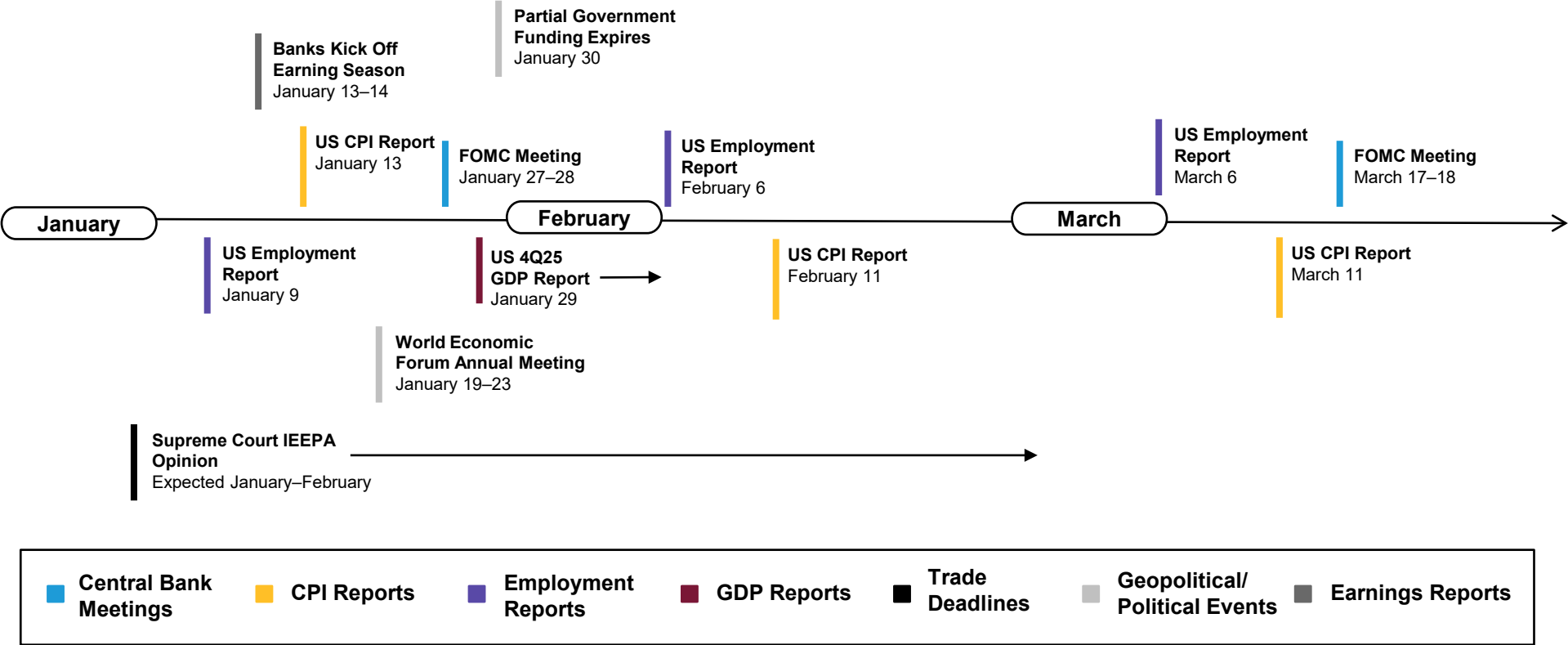
As of December 31, 2025. **Historical analysis is not necessarily indicative of future results. There is no guarantee that any estimates or forecasts will be realized.**

\*US GDP forecasts presented as 4Q/4Q, which is most comparable to the Federal Reserve. YoY methodology represents the average of the preceding four quarters taken at the end of each quarter.

\*\*Actuals as of December 31, 2025 except for US GDP and US Inflation, which remain forecasts pending release of December data.

Source: Bloomberg, Bureau of Economic Analysis, Congressional Budget Office, Federal Reserve, FRED, S&P, and Bernstein analysis

# Key Reports and Events to Watch in the Months Ahead



As of December 31, 2025.  
Source: Bernstein analysis

# OBBB Consumer Stimulus On The Come

Select provisions in OBBB could result in ~\$170B worth of refund checks in early 2026

OBBB Provision	Detail	Est. Aggregate Impact	Effective Date
Deduction for Tips & OT	\$25K/\$12.5K With limits	\$43B	January 1, 2025
SALT Limit Increase	Now \$40K	\$39B	January 1, 2025
Termination of Personal Exemption Deduction + Enhanced Senior Deduction	Now \$6K for Seniors	\$32B	January 1, 2025
Extension and Enhancement of Standard Deduction	Made permanent and adjusts for inflation	\$27B	January 1, 2025
Increased Child Tax Credit	Increased by \$200	\$10B	January 1, 2025
No Tax on Car Loan Interest	US assembled vehicles only, with limit	\$7B	January 1, 2025
Other		\$10B	January 1, 2025
<b>Estimated Total Stimulus</b>		<b>~\$170B (0.5% of GDP)</b>	<b>Impact likely begins to be felt in Q126 when refund checks are issued</b>

As of December 31, 2025. **Current analysis and forecasts do not guarantee future results.**

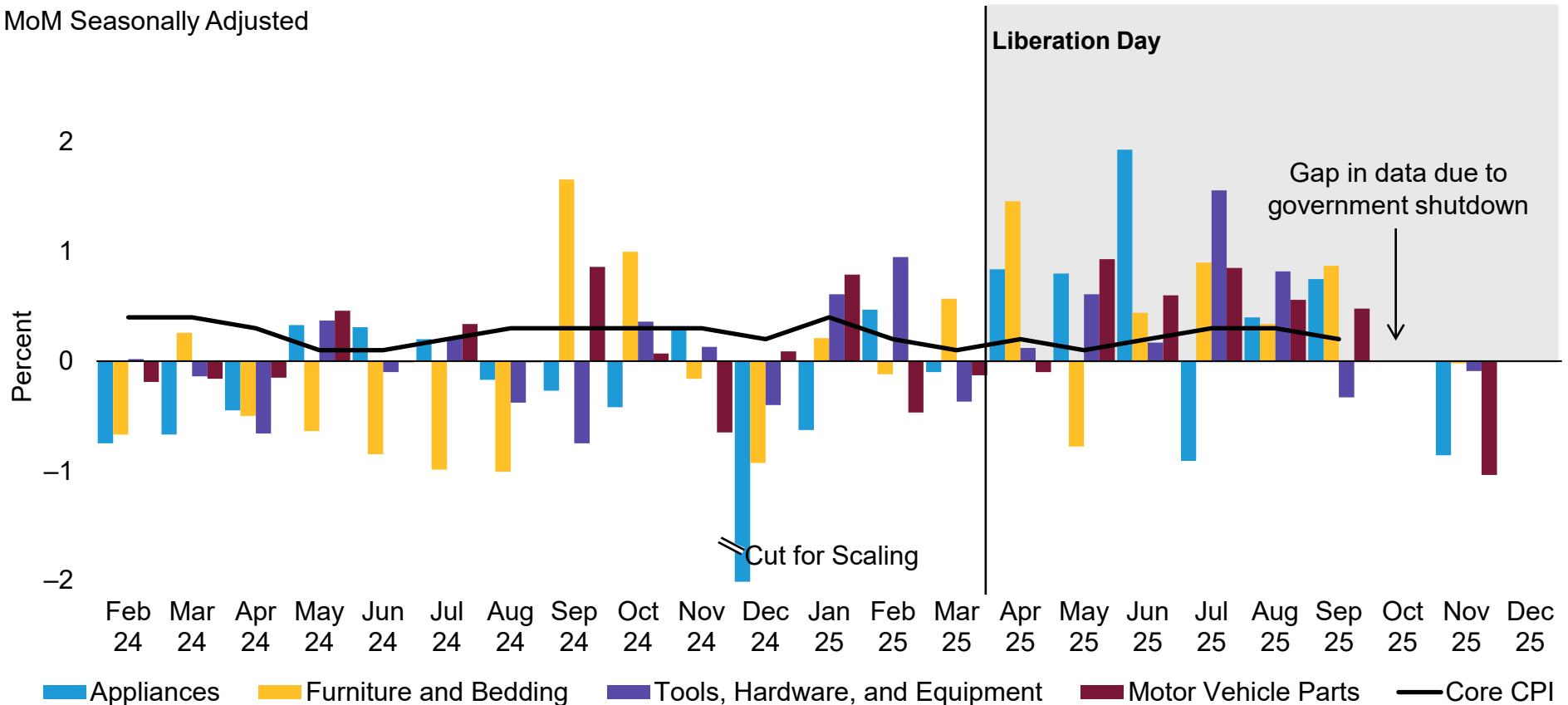
Source: Strategas Research

# Inflation Is Rising for Select Tariff-Affected Categories

Many imported goods prices have seen an uptick since tariff implementation

## Goods Prices

MoM Seasonally Adjusted

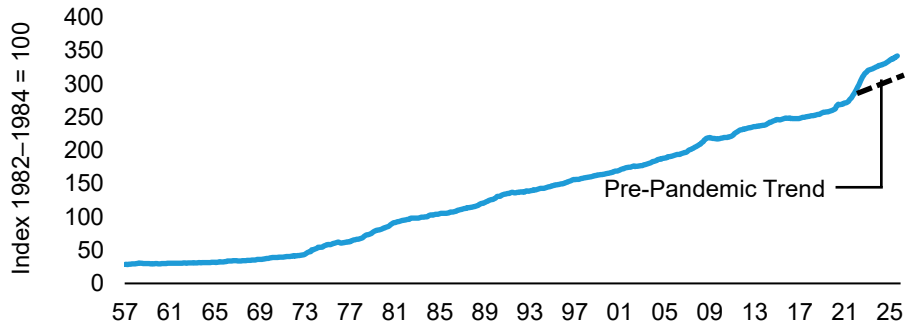


As of December 31, 2025. **Current analysis does not guarantee future results.**  
Source: Bloomberg, US Bureau of Labor Statistics, and AB

# Prices Not Likely to Return to Previous Levels

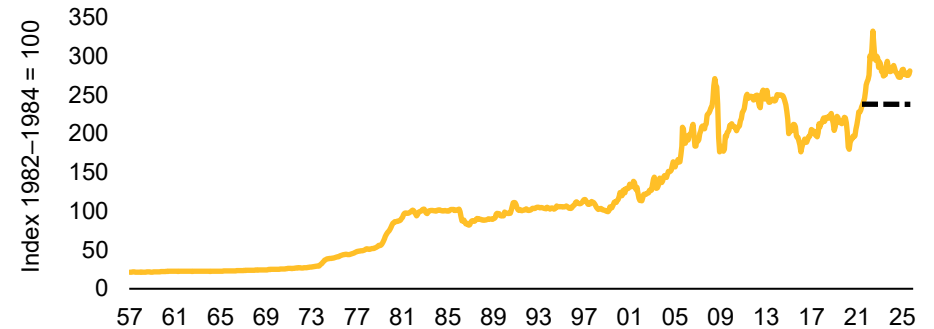
## CPI Food Price

Level



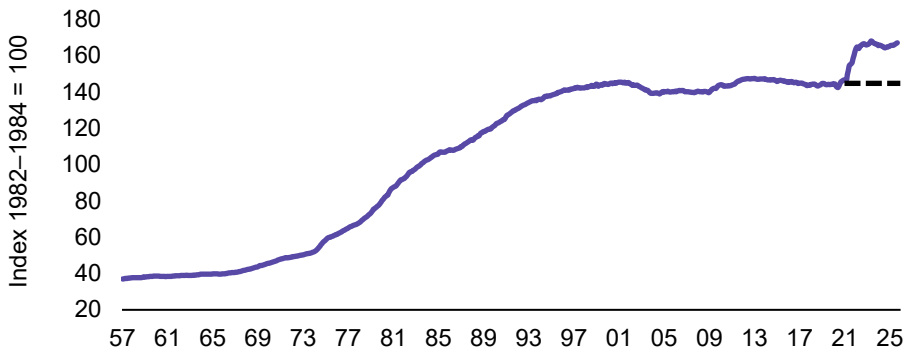
## CPI Energy Price

Level



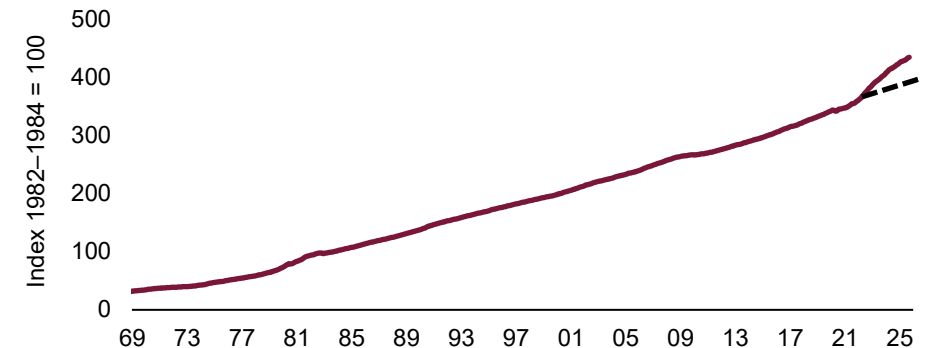
## CPI Goods Price

Level



## CPI Services Price

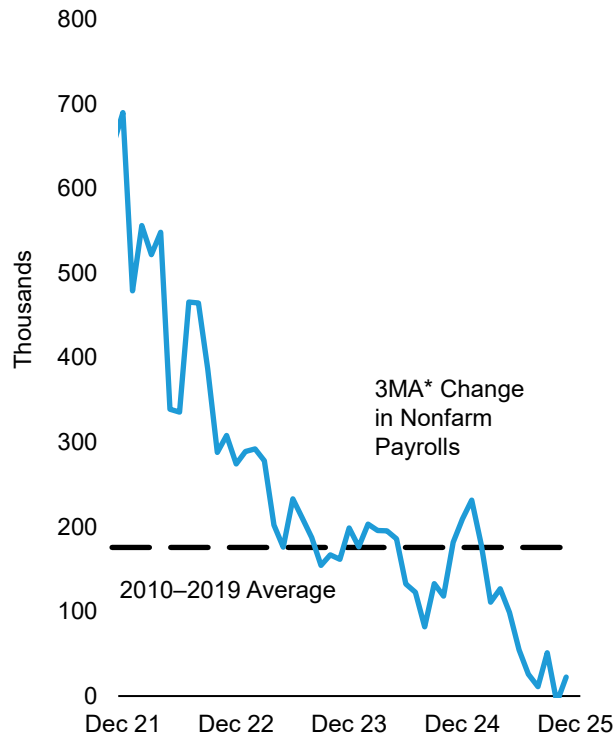
Level



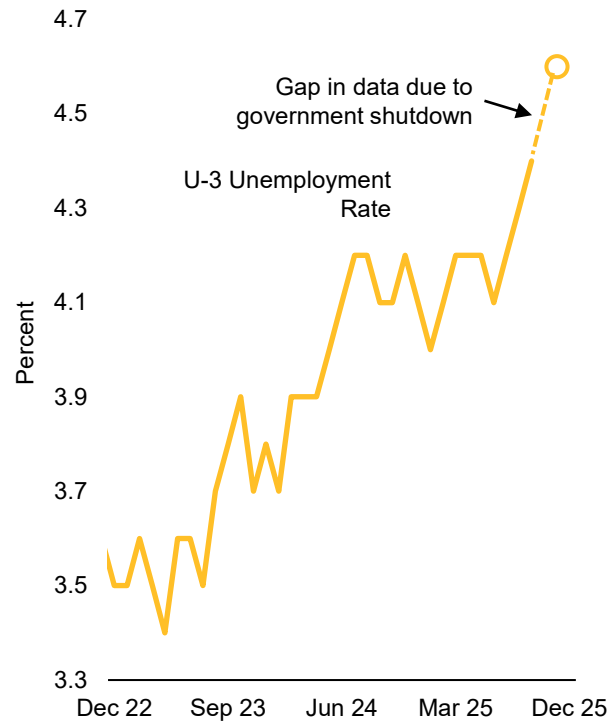
As of December 31, 2025. **Current analysis does not guarantee future results.** Indices are seasonally adjusted.  
Source: Bloomberg, US Bureau of Labor Statistics, and Bernstein analysis

# Labor Market Has Clearly Slowed

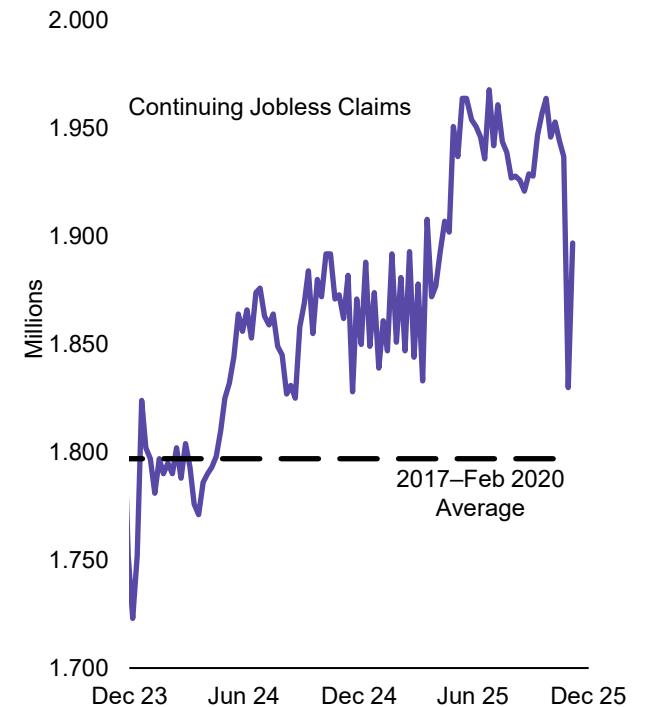
## New Jobs Added Continue to Show Declines



## The Unemployment Rate Has Broken Above Recent Ranges



## Continuing Jobless Claims Have Settled Above the Pre-Pandemic Average



As of December 31, 2025. **Current analysis does not guarantee future results.**

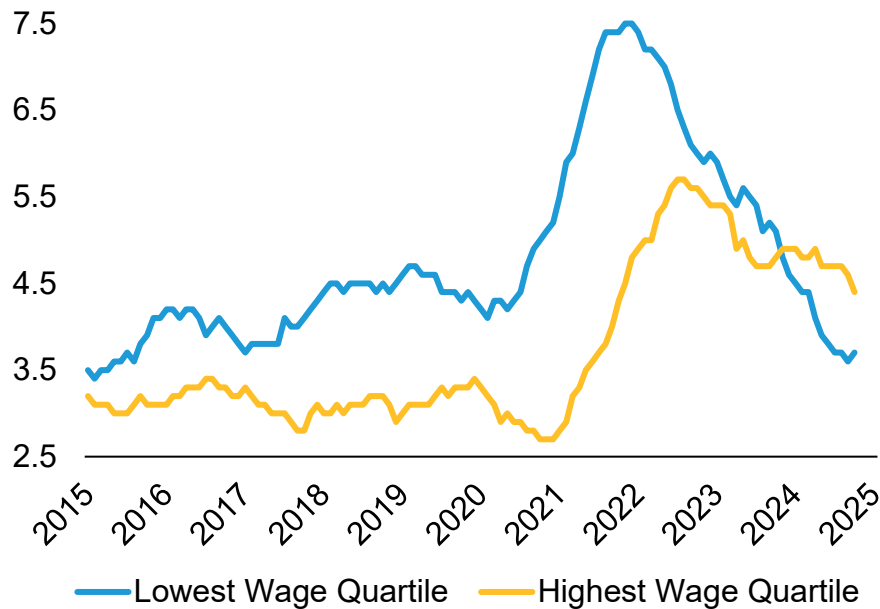
\*3MA: three-month moving average.

Source: Bloomberg, US Bureau of Labor Statistics, and Bernstein analysis

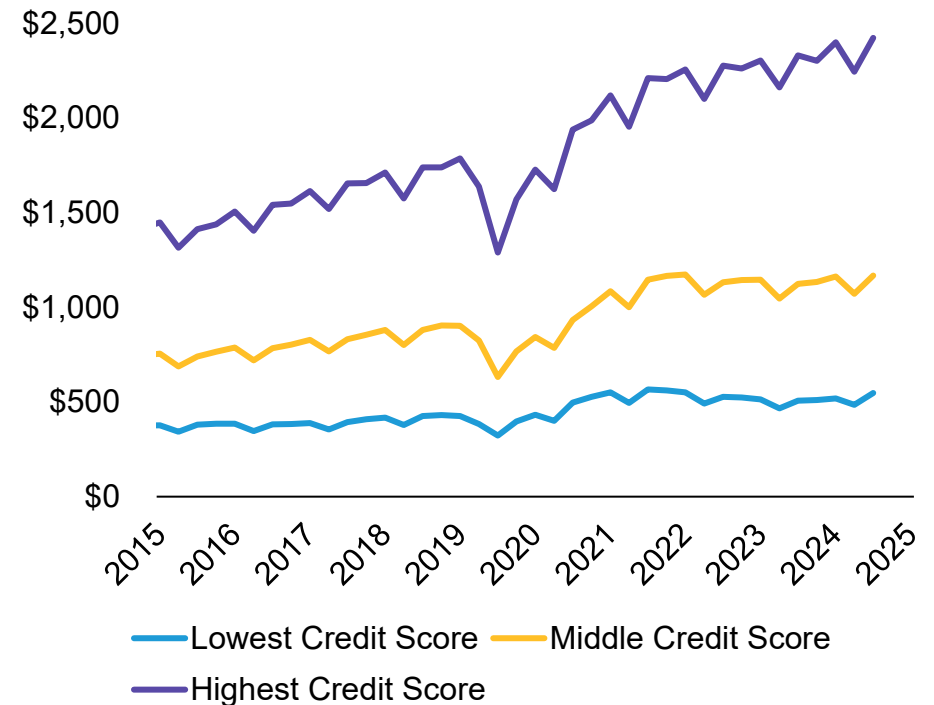
# K-Shaped Economy: Much Depends on Income Level

Stronger wage growth for high earners has kept them spending while others budget

**Atlanta Fed Measure of Median Nominal Wage Growth**  
YoY Percent



**Average Nominal Purchase Volume by Credit Score Group\***  
USD Billions



As of December 31, 2025. **Current analysis and forecasts do not guarantee future results.** Atlanta Fed Measure of Median Nominal Wage Growth as of September of 2025. Average Nominal Purchase Volume by Credit Score Group as of Q2 2025.

\*Lowest credit score defined as <660, middle credit score defined as 660–719, and highest credit score defined as >=720.

Source: Federal Reserve Bank of Atlanta, Federal Reserve Bank of Philadelphia, and Bernstein analysis

# Markets Outlook

# What Is the Consensus View Entering 2026?

1

**Supportive policy environment and positive sentiment should buttress risk assets globally**

**OUR VIEW:** A combination of reduced policy uncertainty, Fed easing, and stimulative tax policy should support spending and translate to continued earnings growth that also broadens out.

2

**Federal Reserve stays biased toward cutting rates while balancing the inflation side of their dual mandate**

**OUR VIEW:** Inflation moderates as the year progresses. This allows the Federal Reserve to manage labor market risk by cutting more than the market expects, resulting in a steeper yield curve.

3

**Spending on the AI buildout continues, supporting growth and buoying markets**

**OUR VIEW:** AI industry penetration and implementation increase, expanding margins but plays out differently for specific players, requiring investing with discernment to navigate potential “air-pockets.”

4

**The K-shaped phenomenon molding the economy will continue to drive consumption and economic activity**

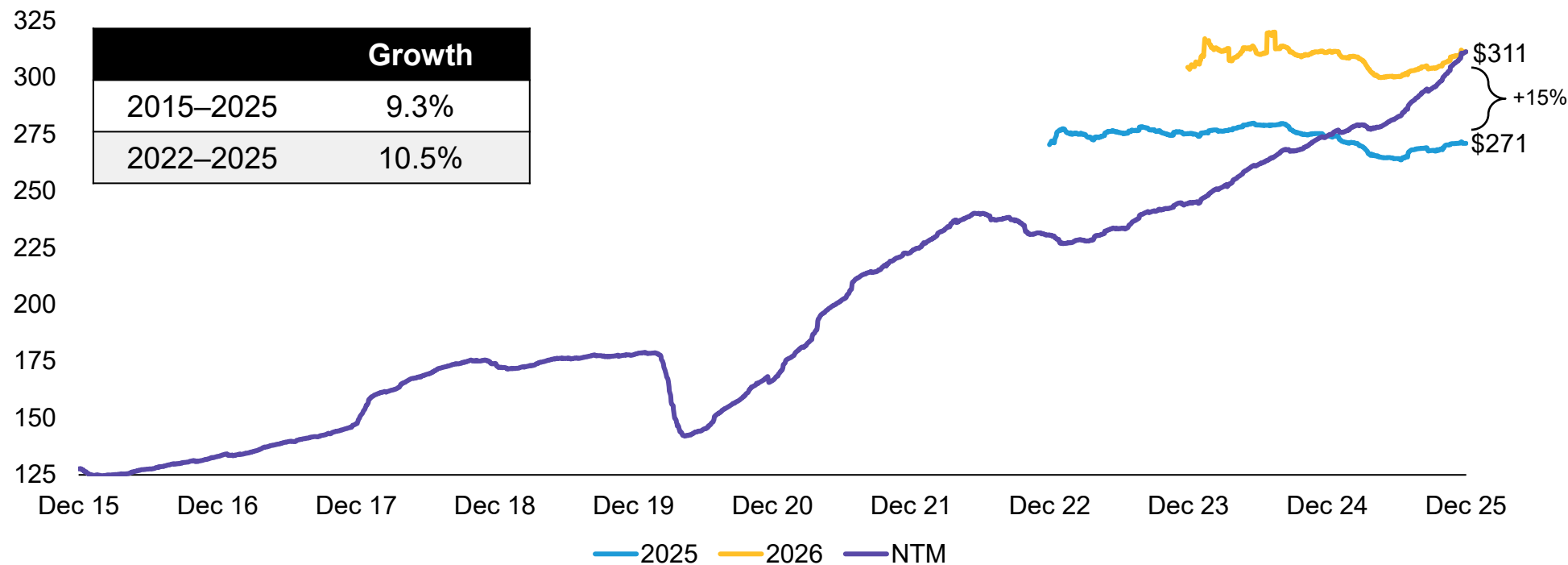
**OUR VIEW:** Whether through voter behavior during midterms or the interaction between market volatility and wealth effect, the K-shaped economy is likely to be expressed differently than in 2025.

As of December 31, 2025. **Current analysis and forecasts do not guarantee future results.**  
Source: Bernstein analysis

# Earnings Have Grown Steadily, Accelerated Recently

After caution surrounding tariffs in early 2025, guidance now suggests a more favorable outlook

**S&P 500 Consensus Earnings Expectations, Next 12 Mos.**  
By Calendar Year



As of December 31, 2025. **Current analysis and forecasts do not guarantee future results.**  
Source: FactSet, S&P, and Bernstein analysis

# Fed Normalization Cycles Can Bode Well for Equity Markets

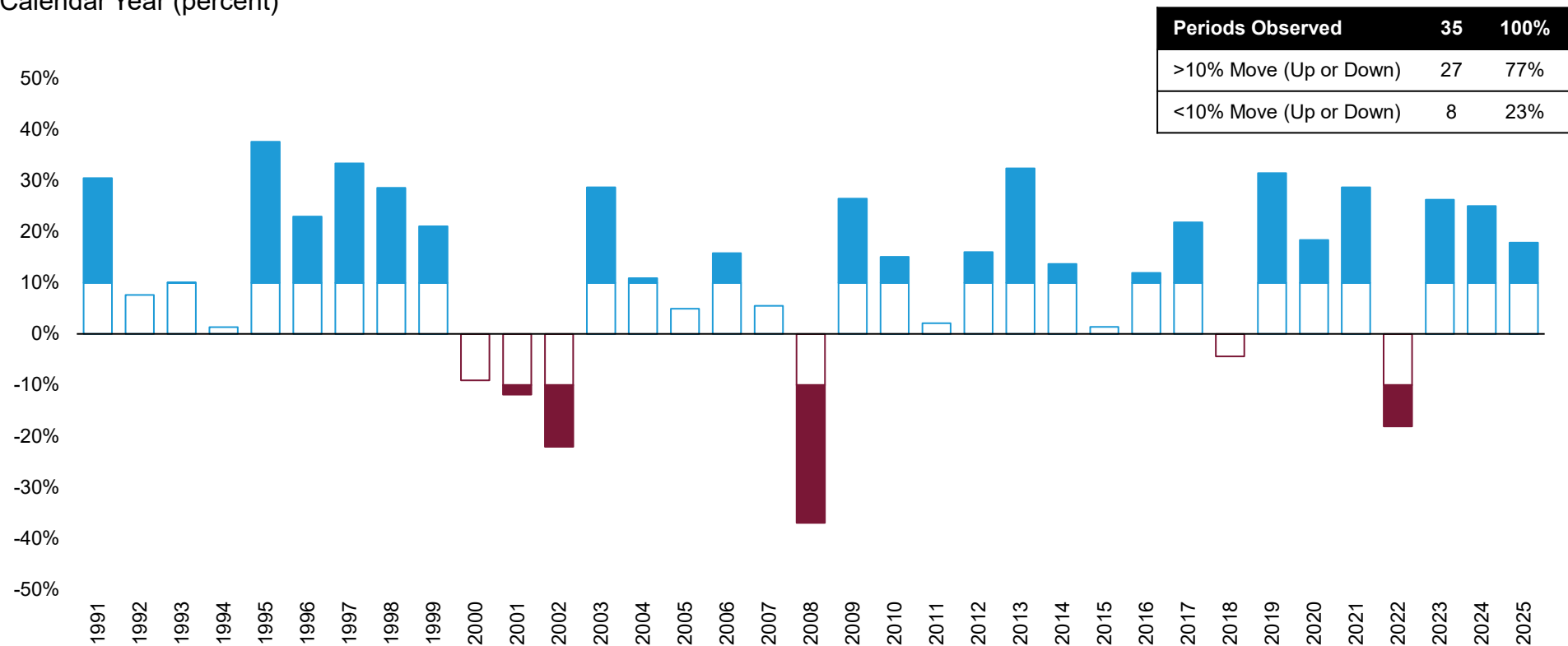
## Non-Recessionary Rate Cuts: S&P 500 Price Return

First Cut	+6 Months	+12 Months
10/2/1984	10.4%	12.5%
10/19/1987	14.7%	23.2%
6/5/1989	8.6%	13.9%
7/6/1995	11.3%	18.7%
9/29/1998	24.9%	20.9%
7/31/2019	8.2%	9.8%
9/18/2024	-0.1%	18.0%
<b>Average</b>	<b>11.1%</b>	<b>16.7%</b>
<b>Median</b>	<b>10.4%</b>	<b>18.0%</b>

As of December 31, 2025. **Past performance does not guarantee future results.**  
Source: Bloomberg, FRED, US Federal Reserve, and Bernstein analysis

# Double-Digit Moves: More Routine than Rare

**S&P 500 Total Returns, 1991–2025**  
Calendar Year (percent)

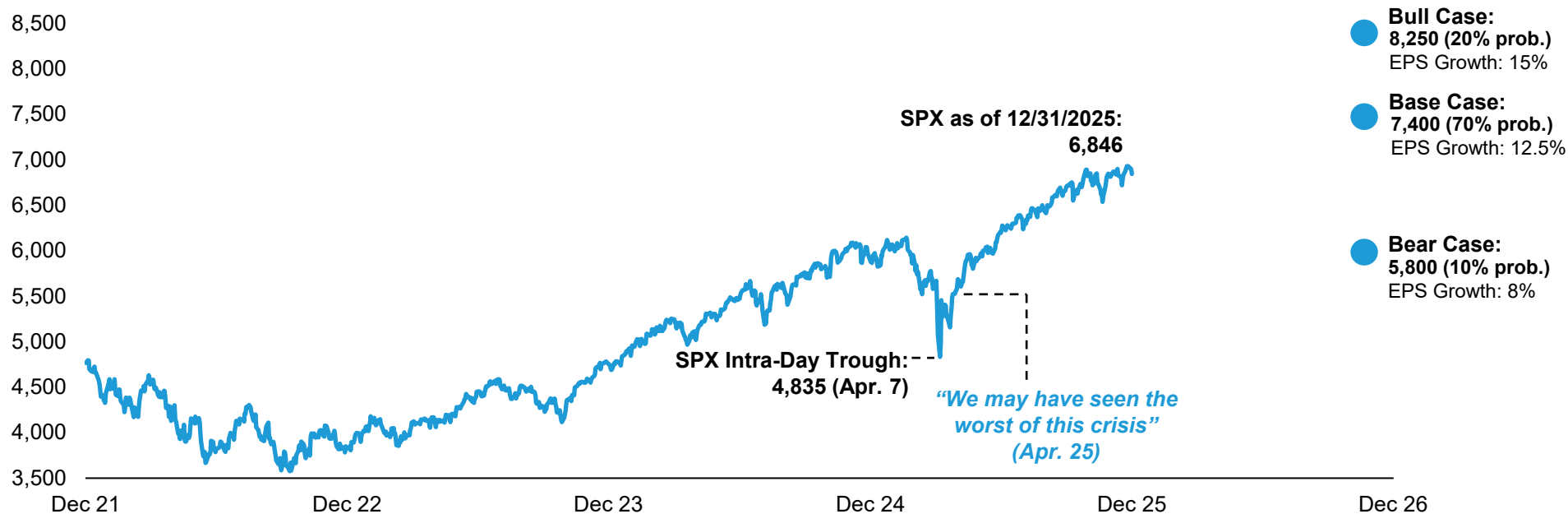


As of December 31, 2025. **Past performance does not guarantee future results.**  
Source: Bloomberg, S&P, and Bernstein analysis

# Our 2026 Base, Bull, and Bear Cases

Assuming another double-digit return year on strong EPS growth and still elevated multiples

## Scenario Analysis: S&P 500, YE 2026—not incl. dividends

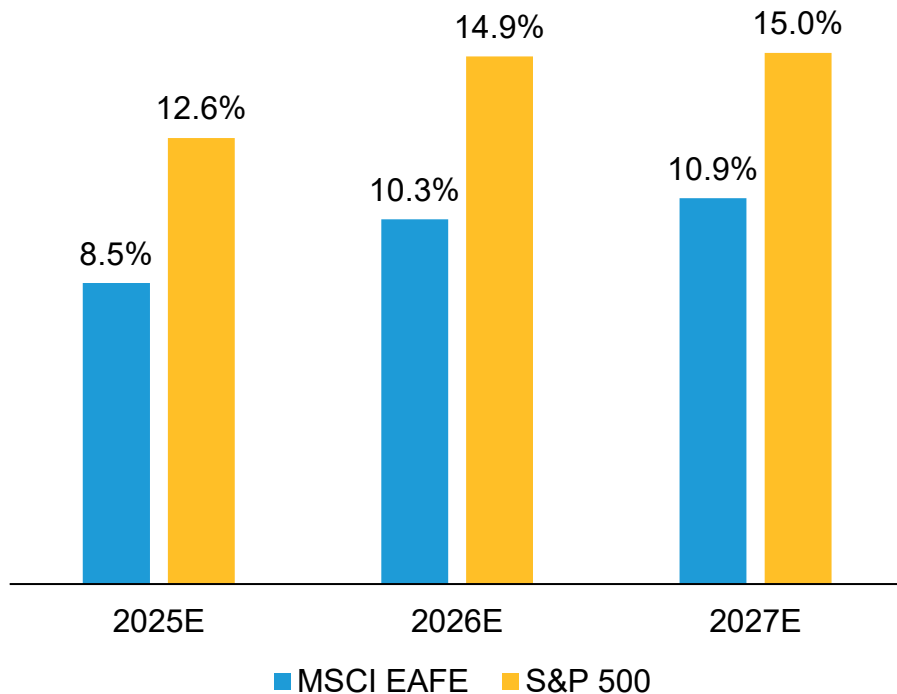


As of December 31, 2025. **Past performance and historical analysis do not guarantee future results. There is no guarantee that any estimates or forecasts will be realized.**  
Source: Bloomberg, S&P, and Bernstein analysis

# Can International Equities Continue to Outperform?

## Earnings Growth Forecasts\*

Year-over-year (percent)



### Possible International Upside Drivers:

- While we expect the dollar to remain the global reserve currency, interest rate differentials and growth normalization in the US could further weaken the dollar and provide a tailwind for non-US investments.
- Meaningful earnings growth is expected for Non-US markets in the next few years. Furthermore, these markets are less expensive relative to long-term averages compared to US markets.
- Plans for higher fiscal spending on infrastructure and defense in Europe, particularly in Germany, may provide additional upside. In Asia, optimism around corporate reforms in Japan, and policy support for businesses in China may also bode well for returns.

### Our Advice:

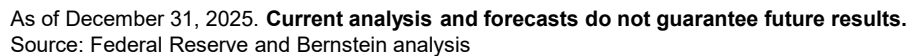
- Remain global but overweight US with an allocation 70% weight. The remaining equity allocation should constitute a 20% weight to developed international, and 10% to emerging market stocks.
- There are positive drivers for non-US markets, but a history of strong earnings growth, more innovation, a dominant technology sector, and other structural forces favor the US.

As of December 31, 2025. **Current analysis does not guarantee future results.**

\*Earnings growth forecasts are based on consensus estimates.

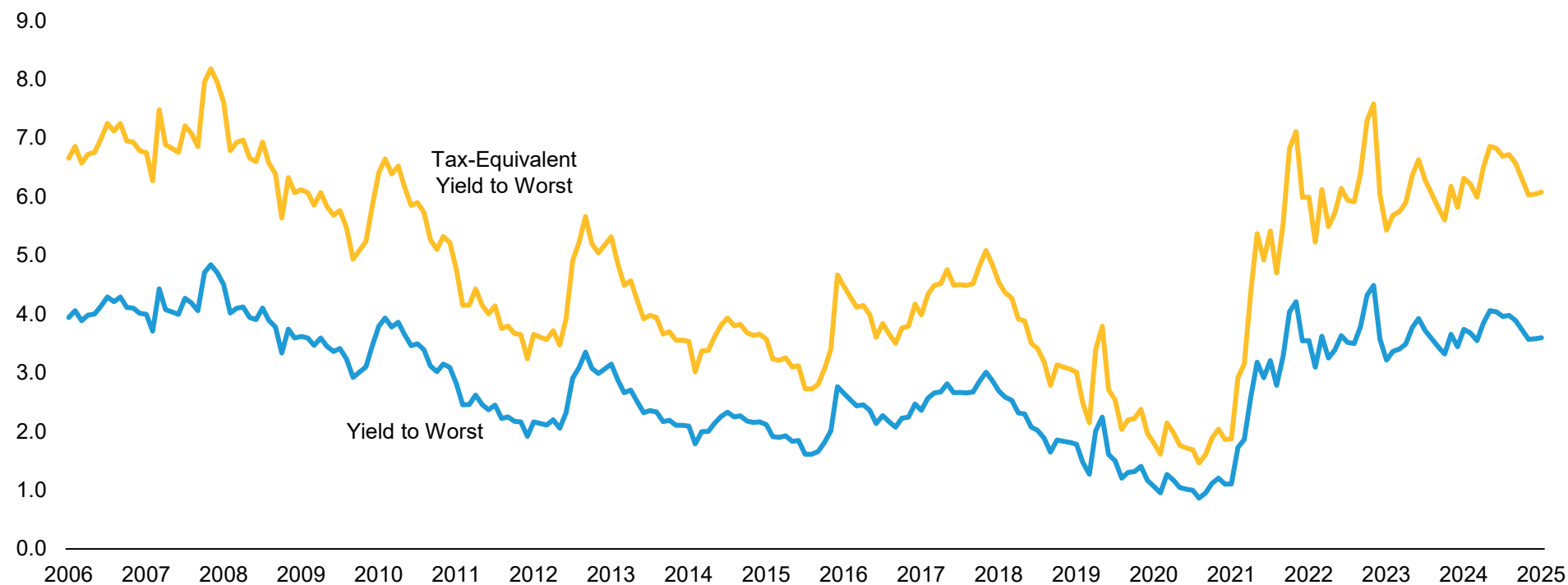
Source: Bloomberg, FactSet, and Bernstein analysis

Dot plot dispersion, commentary, and dissents have evidenced members' independent thinking



# Muni Yields Are Still Quite High

**Bloomberg Municipal Bond Index**  
Historical Yield to Worst (percent)

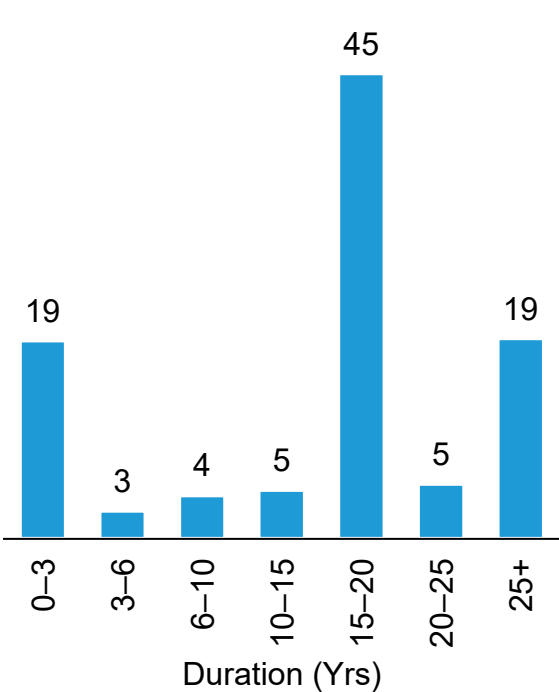


As of December 31, 2025. **Past performance does not guarantee future results.** Tax rate assumes using a 40.8% tax rate.  
Source: Bloomberg, Municipal Market Data, and Bernstein analysis

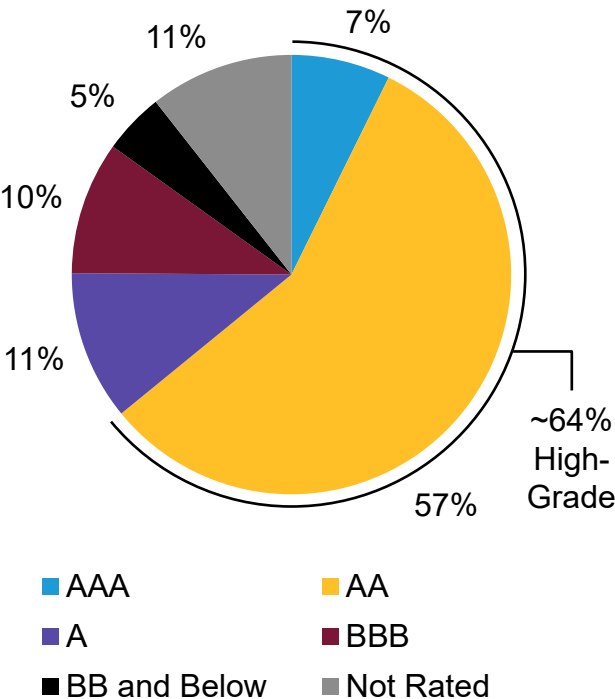
# Muni Portfolio Construction for Today's Environment

Overweight duration via a barbelled maturity structure, overweight municipal credit

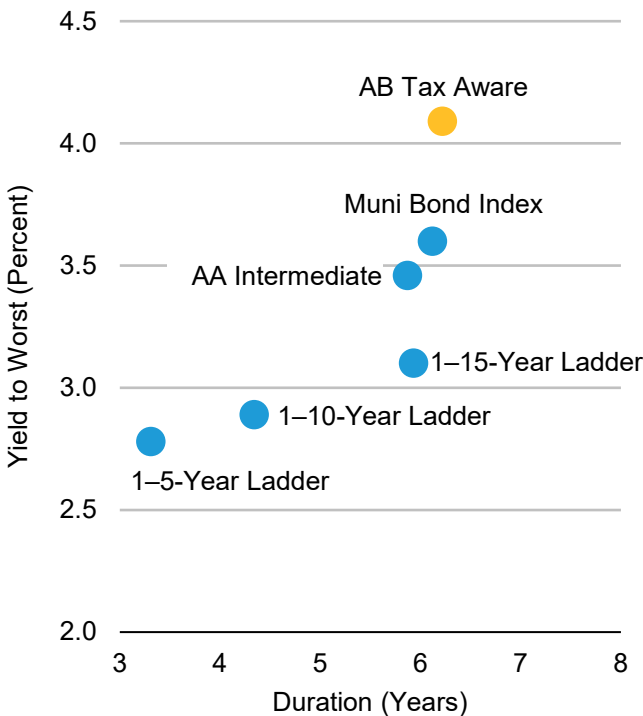
Maturity Distribution  
Percent



Credit Quality Breakdown



Active Better Positioned than Passive

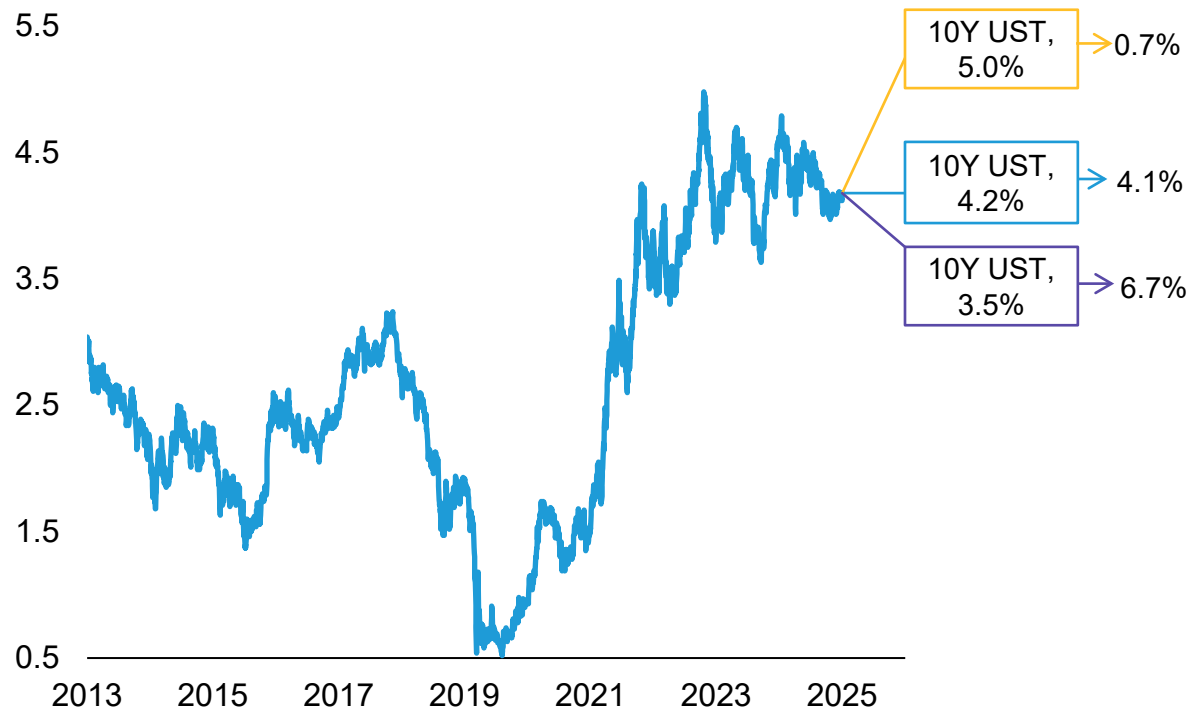


As of December 31, 2025. **Current analysis does not guarantee future results.** Information is hypothetical in nature, do not reflect actual results, and are not guarantees of future results. Based on a representative Tax Aware managed account. Portfolio holdings, characteristics, and weightings will vary over time. Credit rating is a measure of the quality and safety of a bond or portfolio, based on the issuer's financial condition. AAA is highest (best) and D is lowest (worst). Not-rated category includes bonds that are not rated by a Nationally Recognized Statistical Rating Organization. Source: Bloomberg, Barclays, and AB

# Outlook for Bond Returns Looks Favorable

## Expected 12-Month Municipal Returns Scenario Analysis

10-Year US Treasury Yield, Percent



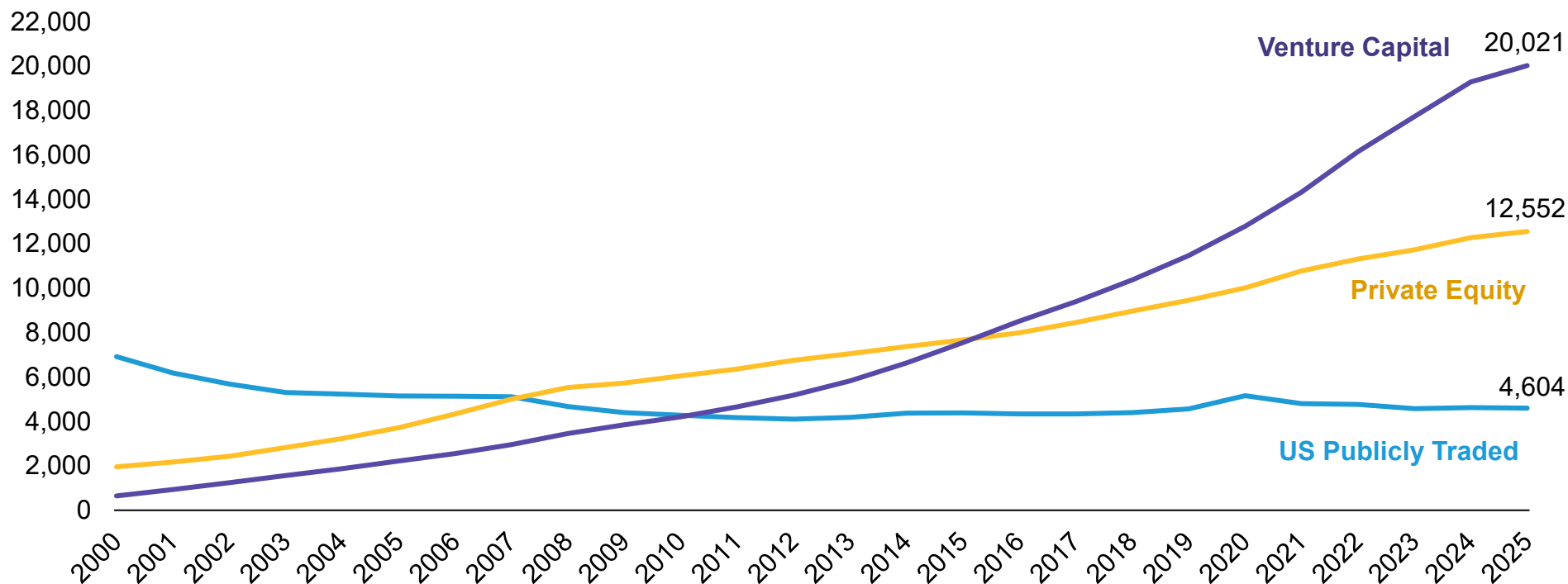
- Our “next 12-months” forecast is a 10Y yield between 3.75%–4.0%.
- If correct, munis should deliver a return of ~5+%.
- Further, investors should still earn a modestly positive return even if rates reversed and rose above 5%.

As of December 31, 2025. **Past performance and forecasts do not guarantee future results.** Display reflects expected returns of the Bloomberg Municipal Bond Index under three scenarios: 10-year US Treasury yields rise to 5.00%, remains the same, or declines to 3.50% over the next 12 months from December 31, 2026.  
Source: Bloomberg and Bernstein analysis

# Private Markets Exposure Helps Capture Innovation

Capital formation and appreciation has increasingly taken place in private markets

## Number of US Publicly Traded vs. US PE and VC-Backed Companies\*



As of December 31, 2025. For illustrative purposes only. Past trends are not necessarily indicative of future trends.

\*As of Q2 2025. Publicly listed data from before 2024 is from World Bank and Statista. 2024 data is from Morningstar.

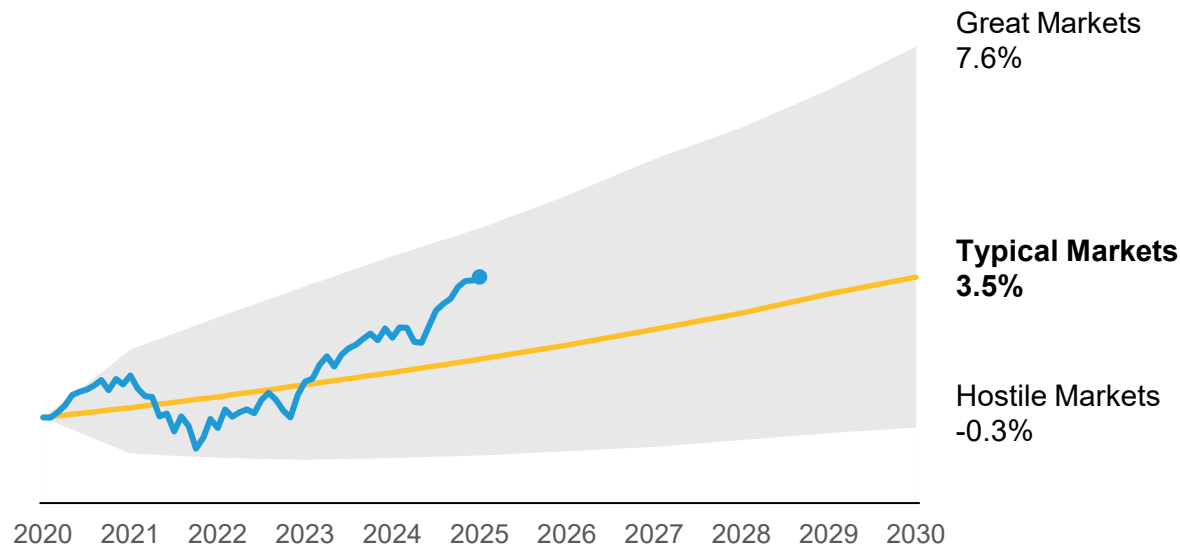
Source: Pitchbook, Word Bank, Statista, Morningstar, and Bernstein analysis

# Strong Performance Calls for Proactive Planning

## Projected\* and Actual Returns (Annualized)<sup>†</sup>

### 5 Years into Plan

10-yr forecasted return as of December 2020



### Our Advice:

- Since 2022, a strong equity market has resulted in above-expectation performance across investor portfolios.
- While these exceptional results have remained within forecasted ranges, it is imperative that investors revisit their wealth plan regularly.
- The macro backdrop and market dynamics are continuously evolving, shifting risks that could impact a portfolio. Thus, reviewing and—if necessary—revising asset allocation and planning strategies to ensure that they remain consistent with long-term goals is essential.

As of December 31, 2025. **Past performance does not guarantee future results. There is no guarantee that any estimates or forecasts will be realized.**

\*Great markets represents 10th percentile, typical markets represents 50th percentile, and hostile markets represents 90th percentile. Based on Bernstein's estimates of the range of returns for the applicable capital markets as of December 30, 2020, for a 60/40 stock/bond allocation. Stocks modeled as 21% US diversified, 21% US value, 21% US growth, 7% US small-/mid-cap, 22.5% developed international, and 7.5% emerging markets. Bonds modeled as intermediate-term diversified municipals. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on the Bernstein Wealth Forecasting System at the end of the presentation for further details.

<sup>†</sup>Actual annualized net-of-fee return for the period beginning December 31, 2020, through December 31, 2025. The hypothetical performance of the Moderate Portfolio Simulation (MPS) is a simulated portfolio intended to illustrate the investment experience of a Bernstein taxable client who was invested in a moderate growth allocation of Bernstein investment services. Represents monthly returns. Assumes no portfolio additions or withdrawals over the period. Results based on pretax returns and do not reflect the impact of taxes. It is presented for illustrative purposes only, and no representation is made that an investor will, or is likely to, achieve profits or experience losses similar to those shown. See disclosures at the end of this presentation for additional information regarding the simulation's composition and calculation methodology.

Source: Bernstein analysis

# The Thoughtful Path Forward for Each Client Depends on Starting Point

## If Fully Invested...

- Re-underwrite the existing portfolio to ensure the allocation is consistent with long-term goals.
- Optimize at the edges to capitalize on attractive opportunities such as private alternatives.
- Proactively review your tax situation to maximize potential savings from new legislation and tax-efficient strategies.

## If Cash Is on the Sidelines...

- Revisit short-term liquidity needs and if duration needs adjusting based on time horizon.
- For longer-term money, consider Dollar-Cost Averaging as a tool to return to long-term allocation.

## If Worried About Risk...

- Avoid completely overhauling the portfolio.
- Instead, make deliberate but modestly scaled changes through solutions like buffered equity, hedge funds, or real assets.
- Consider front-loading any RMD requirement into Q1

As of December 31, 2025. For illustrative purposes only. There can be no assurance that any investment objectives will be achieved.  
Source: Bernstein analysis

# AI Theme

# What Are the Latest AI Controversies?

Our take on what market participants agree and disagree on

**How sustainable is the current pace of the AI buildout?**

Based on what companies are saying and doing, a near-term shortfall in demand for AI appears unlikely. However, workloads are becoming more compute- and memory-intensive, making the supply-side the crux of the issue for the time being.

**How do supply-side constraints on chips and power affect the pace of the AI buildout?**

Supply-side constraints, particularly power, may be a challenge. “Air-pockets” may materialize as parts of the ecosystem ramp faster than others. Investors will successfully navigate by seeking to position carefully across the value chain and capital structure.

**Who can monetize on AI technology and when?**

We are still in the early innings of the AI build out. As such, broad based monetization should not be expected for some time. That said, management commentary toward year-end may be telling, as the Street hopes to hear more on the benefits of AI from non-tech players.






**What are the implications of how AI spending is being funded?**

Capital formation and appreciation have increasingly shifted toward private markets, and AI investments are no exception. No doubt, some bad investments will be made, but we don’t believe any overvaluation risk is systemic.

As of December 31, 2025.  
Source: Bernstein analysis

# Is AI a Bubble?

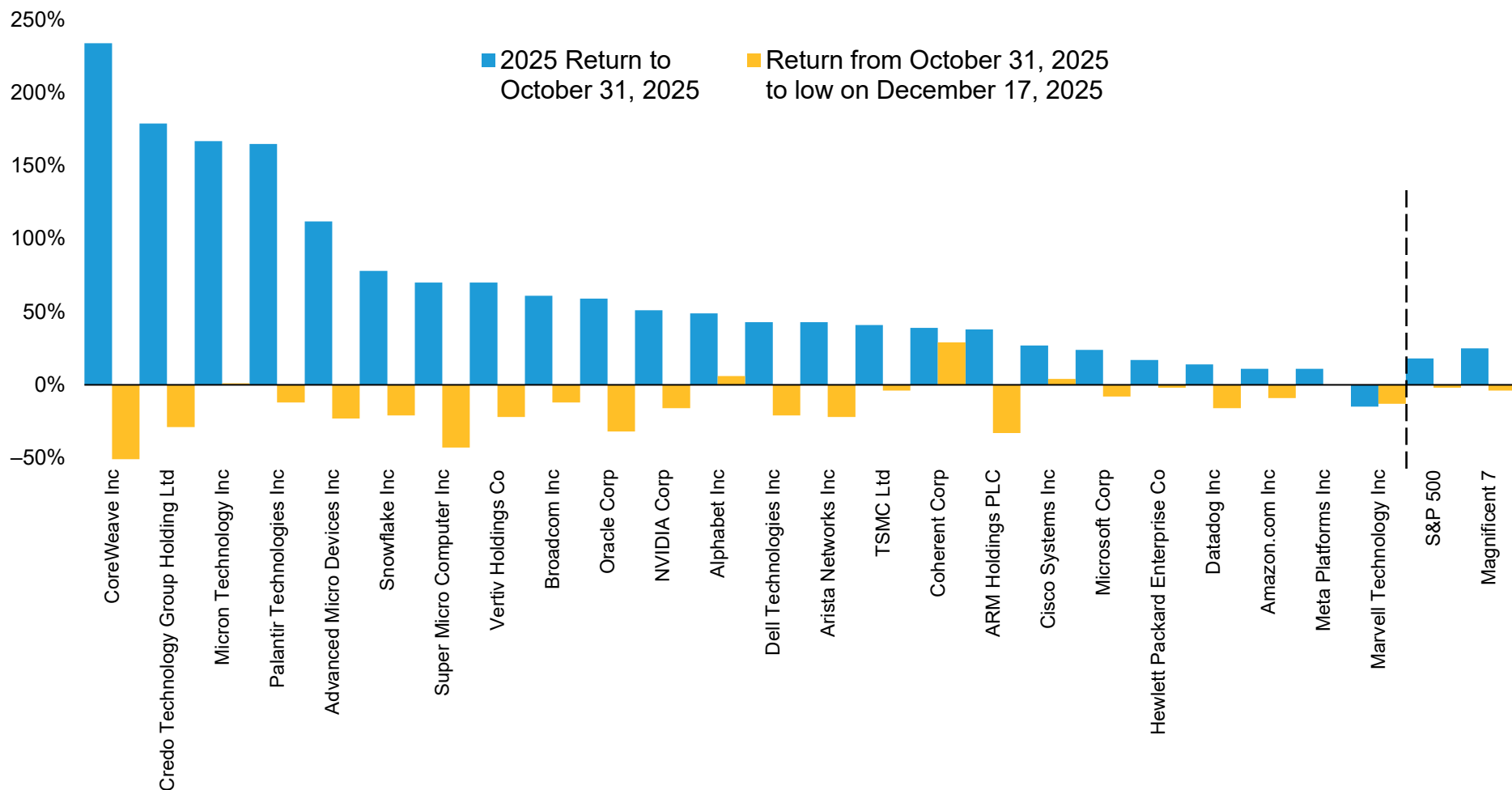
Estimate revisions suggest the market typically underestimates the pace of innovation

Compute Cycle	Initial Forecast Date	Initial Forecast	Actual	2022	Then vs. Now
 <b>PC</b>	February 1996	<b>255 million</b> PC users in 2000	<b>354 million</b> PC users in 2000	<b>1.4 billion</b> PC users in 2022	<b>449%</b>
 <b>Internet</b>	February 1996	<b>152 million</b> internet users in 2000	<b>361 million</b> internet users in 2000	<b>4.8 billion</b> internet users in 2022	<b>3,058%</b>
 <b>Mobile</b>	January 2010	<b>657 million</b> smartphone shipments in 2013	<b>1,019 million</b> smartphone shipments in 2013	<b>1.6 billion</b> smartphone shipments in 2022	<b>144%</b>
 <b>Cloud</b>	March 2017	<b>\$90.2 billion</b> revenue of three largest cloud providers in 2020	<b>\$115.6 billion</b> revenue of three largest cloud providers in 2020	<b>\$157.1 billion</b> revenue of three largest cloud providers in 2022	<b>74%</b>
 <b>Cloud Capex</b>	January 2021	<b>\$152 billion</b> projected 2025 cloud capex in 2021	<b>\$386 billion</b> actual 2025 cloud capex expected	<b>\$183 billion</b> projected 2025 cloud capex in 2022	<b>154%</b>

**Average: 776%**

As of December 31, 2025. **Current analysis does not guarantee future results.**  
Source: Bloomberg, Morgan Stanley, Statista, and AB

# Shifts Within the AI Theme Can Lead to Dispersion



As of December 31, 2025. **Past performance and historical analysis do not guarantee future results.**  
Source: FactSet, S&P, and Bernstein analysis

# Appendix

# Global Macro Forecast Summary

## AB Global Economic Forecast

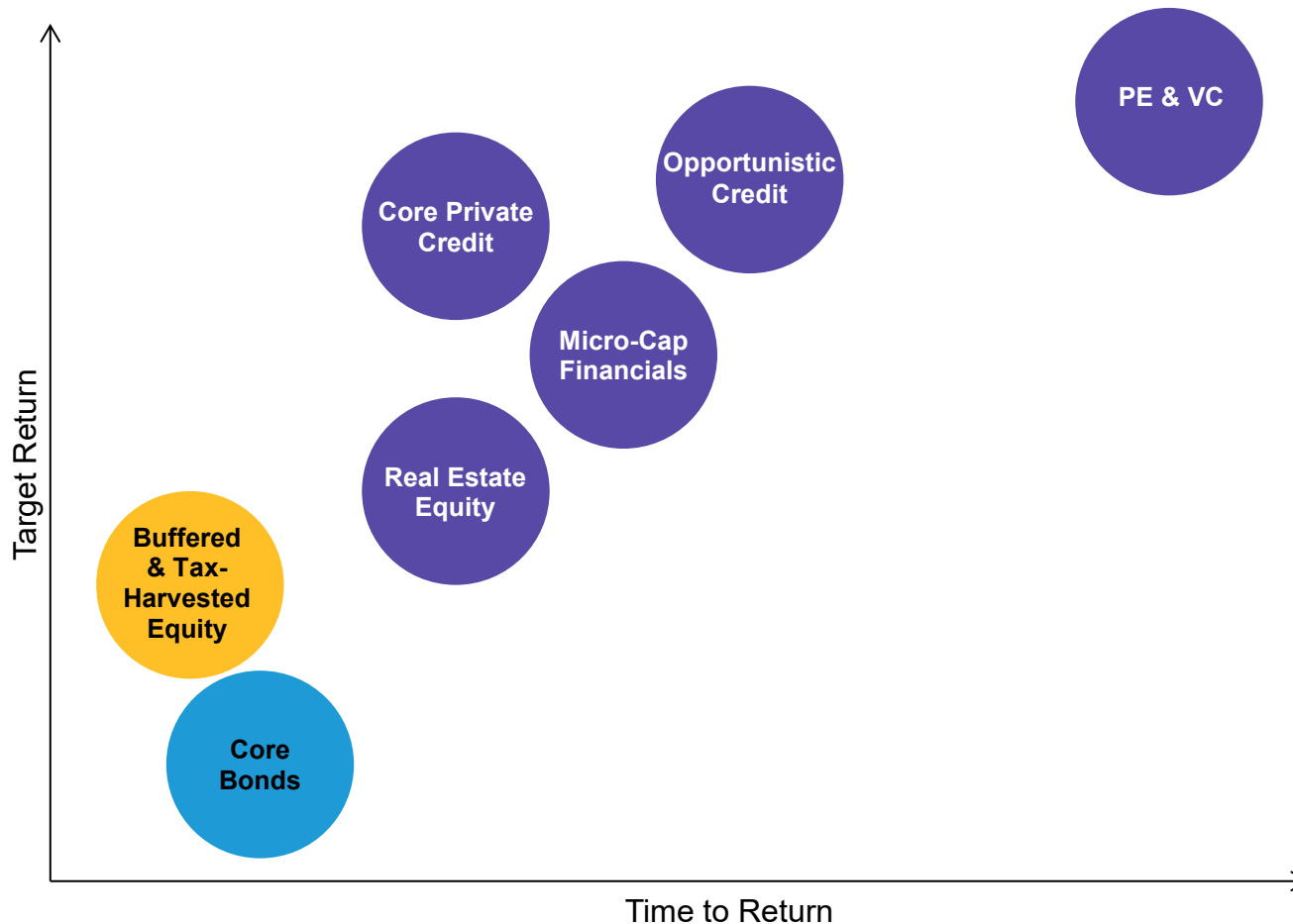
	Real Growth (Percent)		Inflation (Percent)		Official Rates (Percent)		Long Rates (Percent)	
	25F	26F	25F	26F	25F	26F	25F	26F
Global ex Russia	2.6	2.5	3.0	2.7	3.75	3.19	4.15	4.02
Industrial Countries	1.7	1.5	2.7	2.3	2.88	2.25	3.55	3.32
Emerging Countries	3.8	3.8	3.7	3.5	5.92	5.30	4.86	4.84
<b>US</b>	<b>1.9</b>	<b>2.0</b>	<b>3.0</b>	<b>2.5</b>	<b>3.63</b>	<b>2.63</b>	<b>4.00</b>	<b>3.75</b>
Euro Area	1.4	1.1	2.1	1.8	2.00	1.75	2.80	2.65
UK	1.4	0.9	3.5	2.4	3.75	3.00	4.50	4.10
Japan	1.0	1.0	2.8	2.2	0.50	0.75	2.00	2.25
China	4.5	4.3	0.5	1.0	1.00	1.25	2.00	2.25
Mexico	0.2	1.3	3.8	3.8	7.00	6.50	8.30	8.10

As of December 31, 2025. **Historical analysis is not necessarily indicative of future results. There is no guarantee that any estimates or forecasts will be realized.**

Inflation is a Core Consumer Price Index (CPI) estimate. Growth and inflation forecasts are calendar-year averages. Interest rates are year-end forecasts. Real growth aggregates represent 29 country forecasts, not all of which are shown. Long rates are 10-year yields.

Source: AB

# Best Ideas for 1H 2026



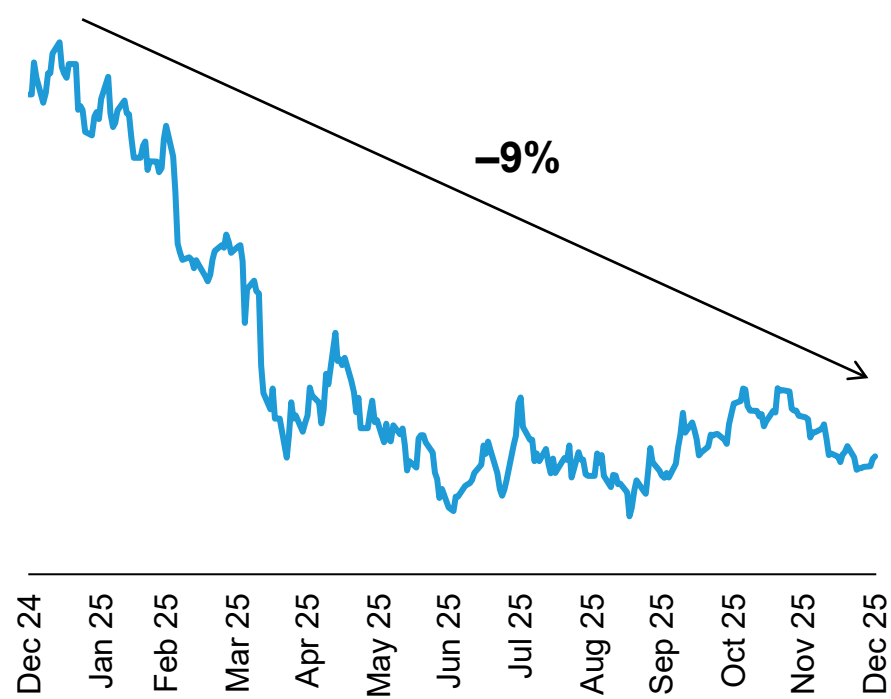
## Opportunities Catalyzed by the Current Environment:

- Declining Rates: The easing cycle has resumed, and yields are starting in an attractive place. Potential price appreciation adds appeal.
- Opportunistic: Still-constrained supply of capital and/or other conducive backdrops, e.g., M&A.
- Managing Risks: Upside participation with downside risk mitigation or the benefit of active tax-loss harvesting.

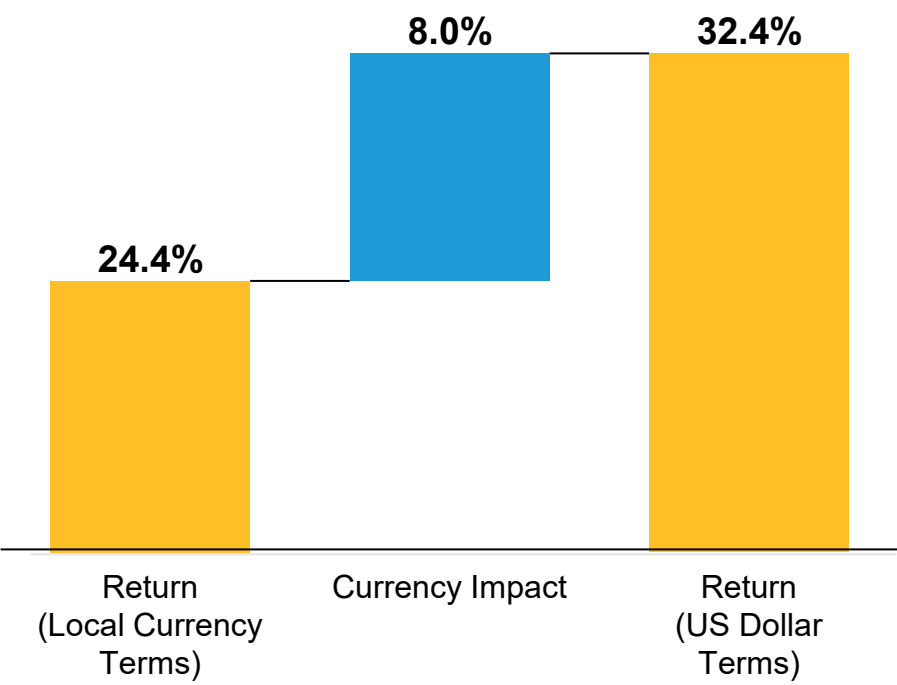
As of December 31, 2025. For illustrative purposes only. Past performance is no guarantee of future returns. Target returns are hypothetical performance and not projections, predictions, or guarantees of future performance, and there can be no assurance that the target return will be achieved.  
Source: Bernstein analysis

# Being Global Benefited Investors in 2025

**US Dollar Index**  
Change in value, 2025



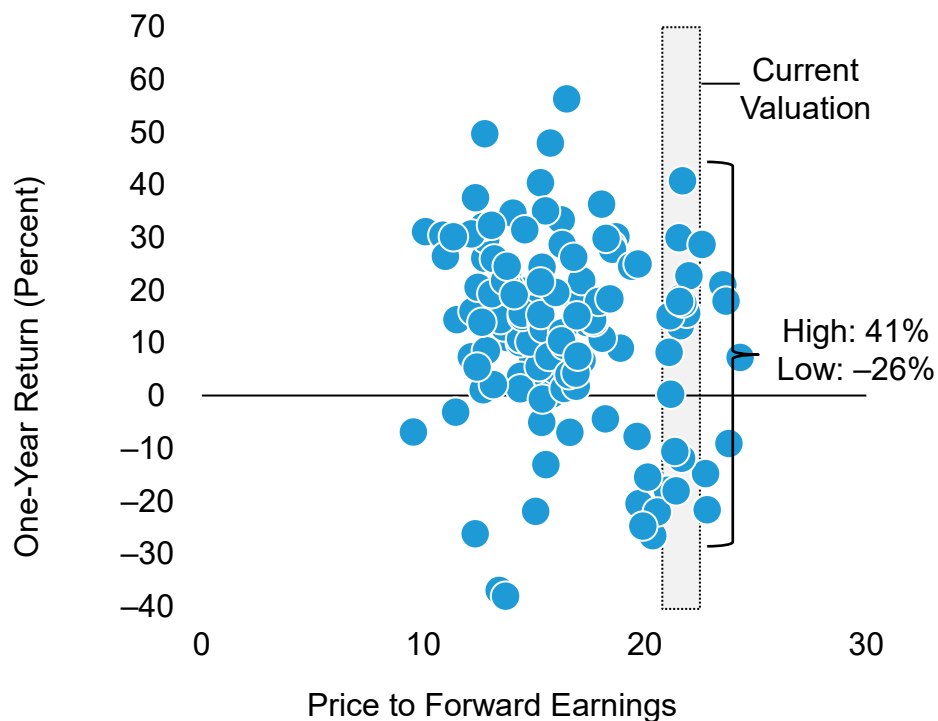
**Non-US Equity Performance Disaggregated**  
MSCI ACWI ex US total return, 2025



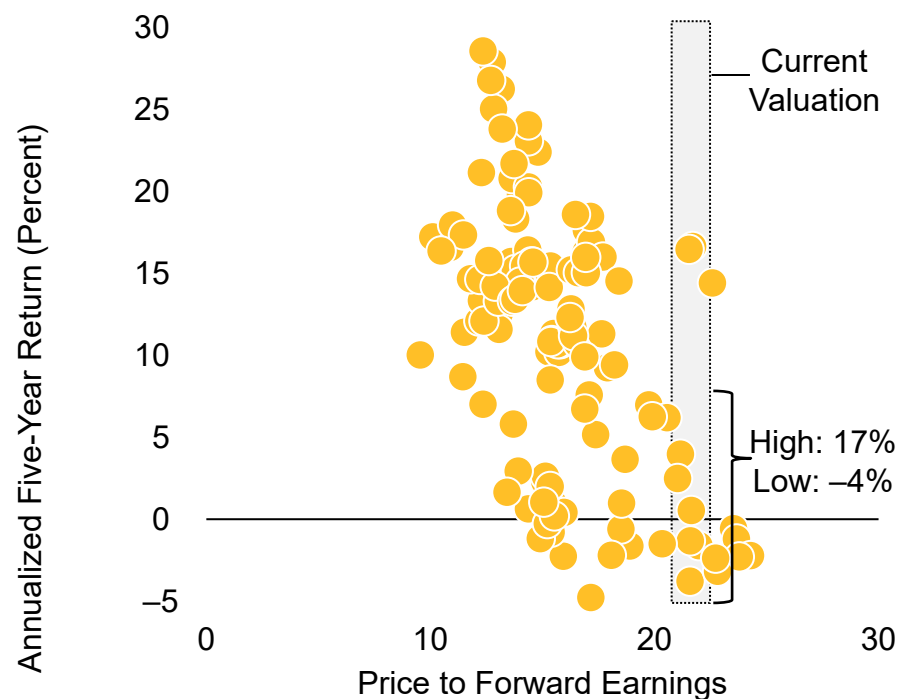
As of December 31, 2025. **Past performance does not guarantee future results.**  
Source: FactSet, MSCI, and Bernstein analysis

# US Multiples Are Higher vs. History but Are Not Predictive Over Short Term

## One-Year Horizon: Wide Range of Possible Returns



## Five-Year Horizon: More Predictable

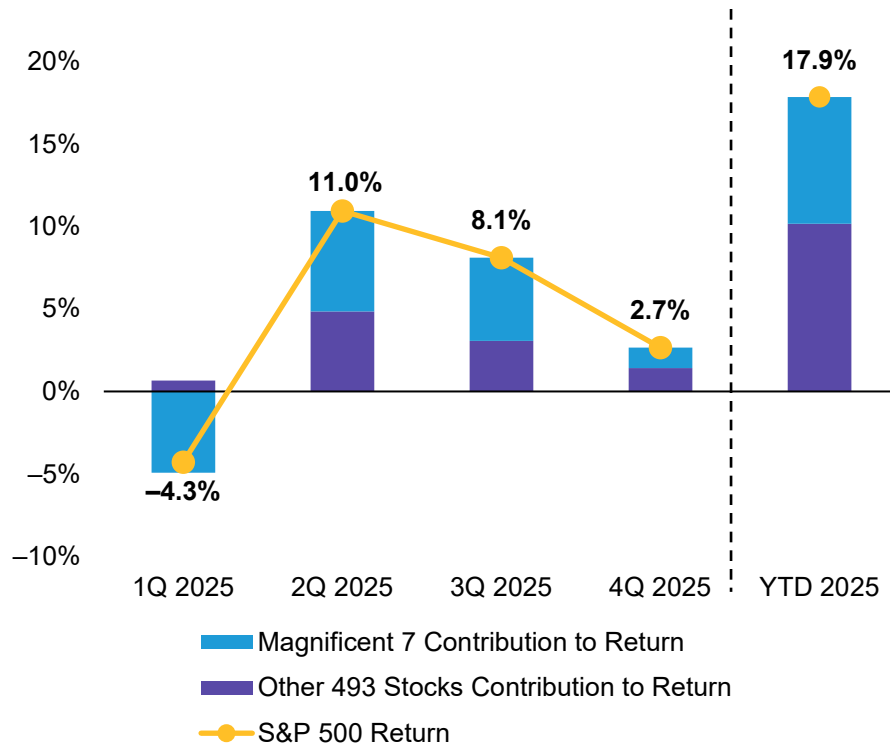


As of December 31, 2025. **Historical analysis is not necessarily predictive of future results.** Left-hand chart is based on quarterly data for rolling one-year periods from December 1989 through December 2024. Right-hand chart is based on quarterly data for rolling five-year periods from December 1994 through December 2024.  
Source: Bloomberg, FactSet, Haver Analytics, Standard & Poor's, and Bernstein analysis

# Market Concentration and Valuation

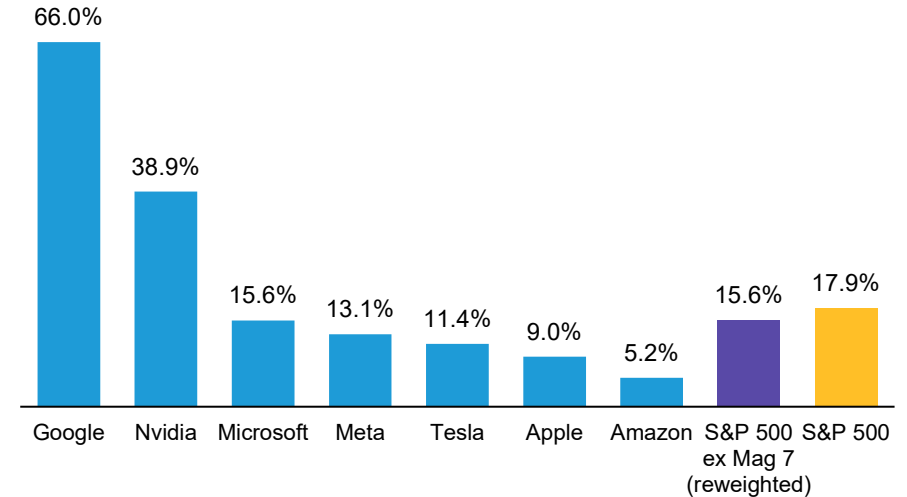
## Mag 7 Continues to Dominate Market Returns...

Contribution to S&P 500 Total Return



## ...Performance and Valuation Dispersions Create Opportunity

YTD Returns



### Price/Forward Earnings (2026E)

28.0x	25.5x	27.1x	21.8x	203.3x	32.0x	28.7x	20.0x	22.1x
-------	-------	-------	-------	--------	-------	-------	-------	-------

### EPS Growth Expectations (2026E)

6%	63%	17%	30%	32%	11%	11%
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As of December 31, 2025. **Current analysis and forecasts do not guarantee future results.**

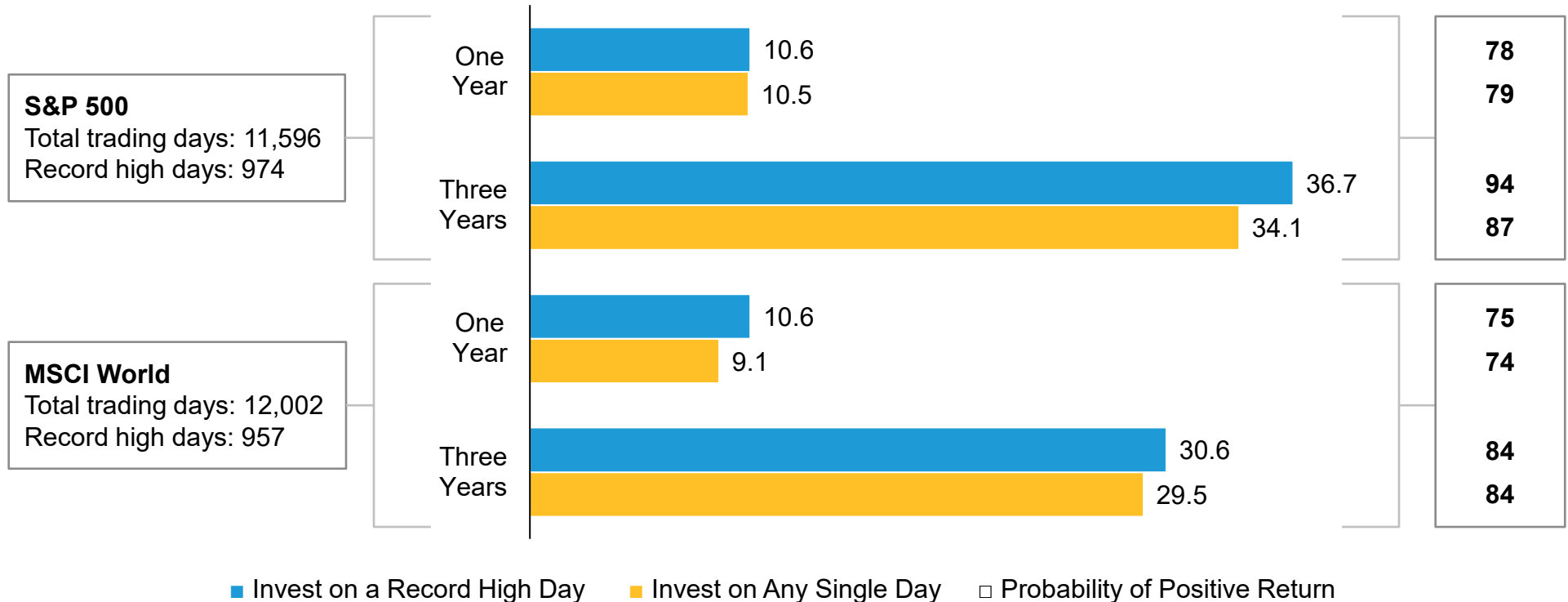
S&P 500 ex Mag 7 represented by the Bloomberg 500 ex Magnificent Seven Total Return Index. EPS growth expectations are for calendar year 2026.

Source: FactSet, Morningstar, S&P, Bloomberg, and Bernstein analysis

# Stocks Have Performed Well After Reaching All-Time Highs

## Forward Equity Returns\*

1980–2025 (Average, Percent)





















































As of December 31, 2025. **Historical analysis and current forecasts do not guarantee future results.**

\*Based on cumulative price returns for each index.

Source: Bloomberg, MSCI, S&P, and AB

# Investment Regimes Change Frequently

Ten largest companies by market cap

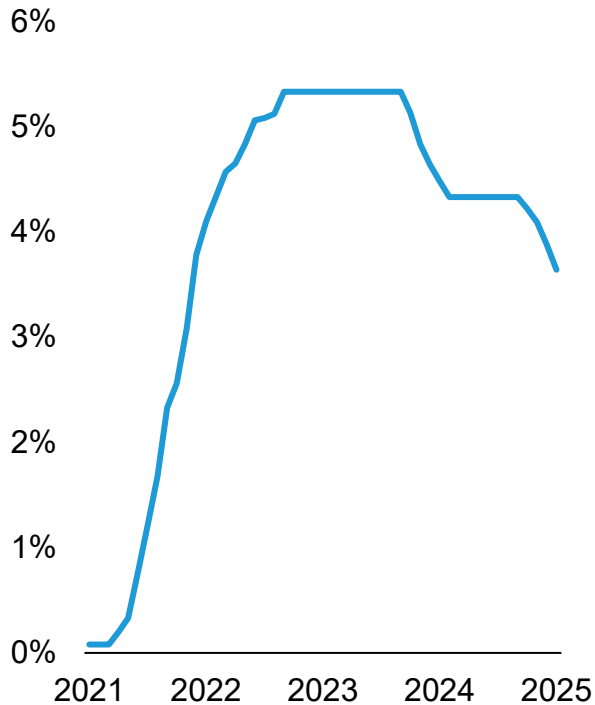
1980: Peak Oil		1990: Japan Will Take Over the World		2000: TMT Bubble		2010: Peak of China Commodities Supercycle		2025: Current	
	IBM		NTT		Microsoft		ExxonMobil		NVIDIA
	AT&T		Bank of Tokyo-Mitsubishi		General Electric		PetroChina		Apple
	Exxon		Industrial Bank of Japan		NTT DoCoMo		Apple		Alphabet Inc.
	Standard Oil		Sumitomo Mitsui		Cisco Systems		BHP Billiton		Microsoft
	Schlumberger		Toyota Motors		Walmart		Microsoft		Amazon
	Shell		Fuji Bank		Intel		ICBC		Meta Platforms
	Mobil		Dai-Ichi Kangyo Bank		NTT		Petrobras		Broadcom Inc.
	Atlantic Richfield		IBM		ExxonMobil		China Construction Bank		Saudi Aramco
	General Electric		UFJ Bank		Lucent Tech.		Royal Dutch Shell		Tesla
	Eastman Kodak		Exxon		Deutsche Telekom		Nestlé		Taiwan Semiconductor

As of December 31, 2025. **Past performance does not guarantee future results. Analysis provided for illustrative purposes only and is subject to revision.**  
Source: Gavekal, Bloomberg, and AB

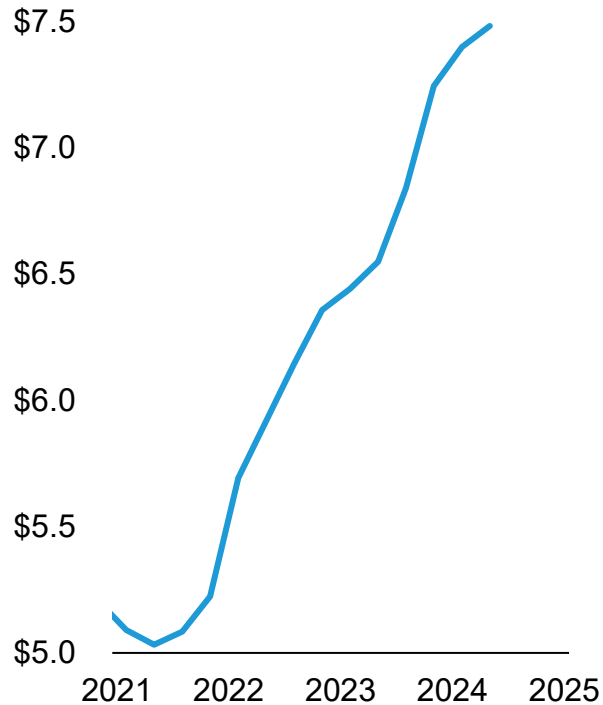
# Even with Rates Elevated, Cash Heavy Investors May Miss Out

As the Fed cuts, the opportunity cost of hiding out in cash may be even more costly

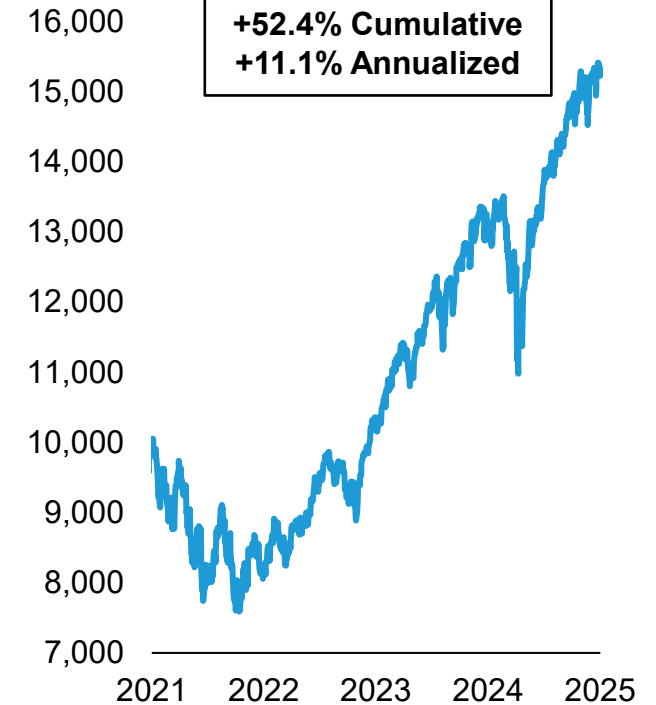
**Fed Funds Rate**  
Percent



**Money Market Funds**  
Total Asset Level, Trillions



**S&P 500**  
Total Return Index

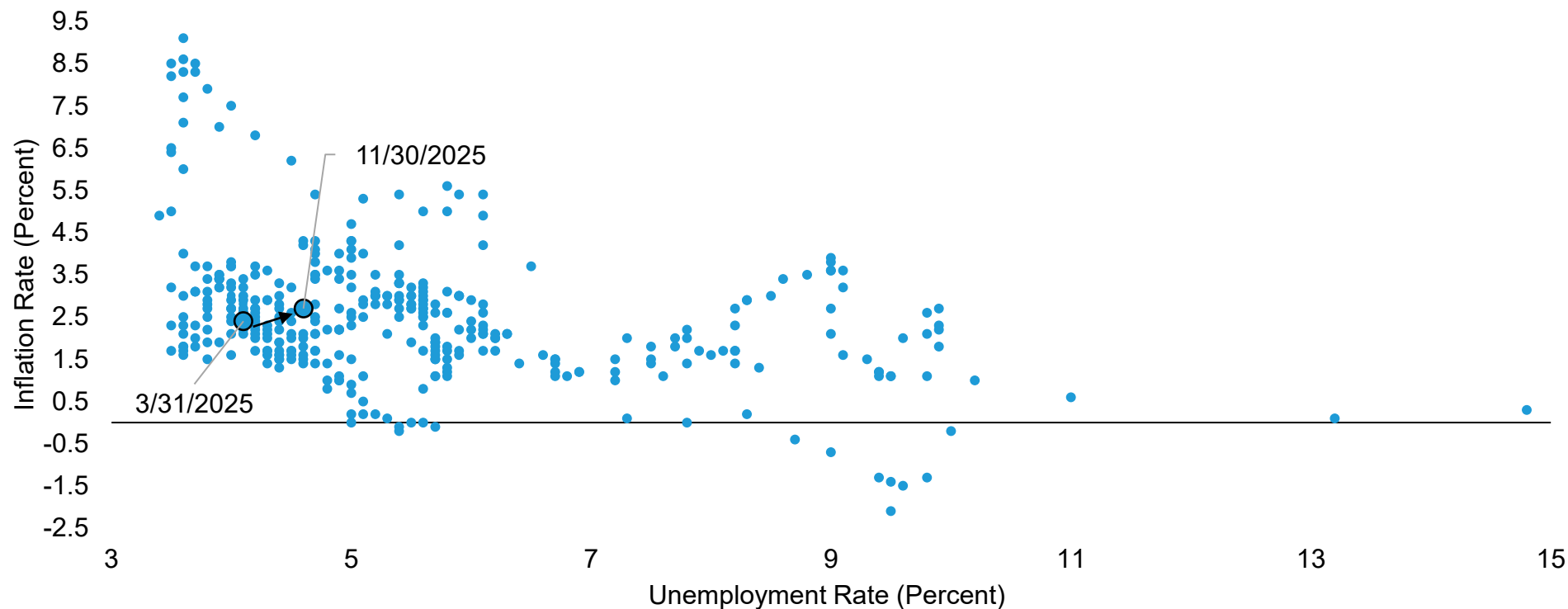


As of December 31, 2025. **Past performance does not guarantee future results.**  
Source: Federal Reserve, FRED, Bloomberg, S&P, and Bernstein analysis

# The Fed's Dual Mandate: Moving in Wrong Direction

## The Fed's Dual Mandate

Maximum employment and stable prices



As of December 31, 2025. **Current analysis does not guarantee future results.**

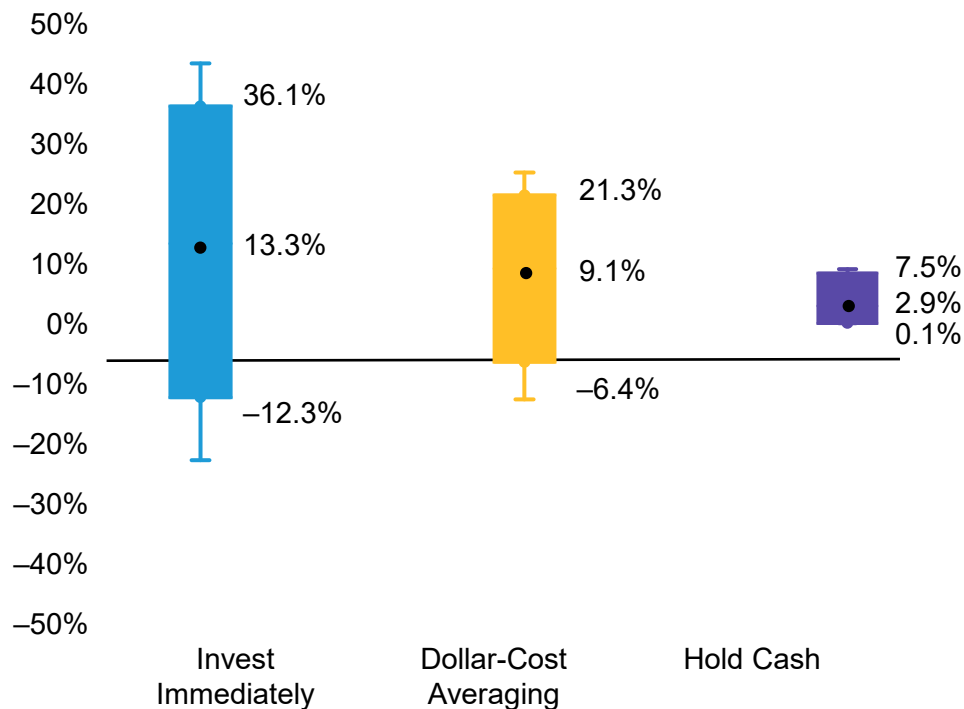
Display shows unemployment and inflation data over the last 30 years.

Source: Bloomberg, US Bureau of Labor Statistics, and AB

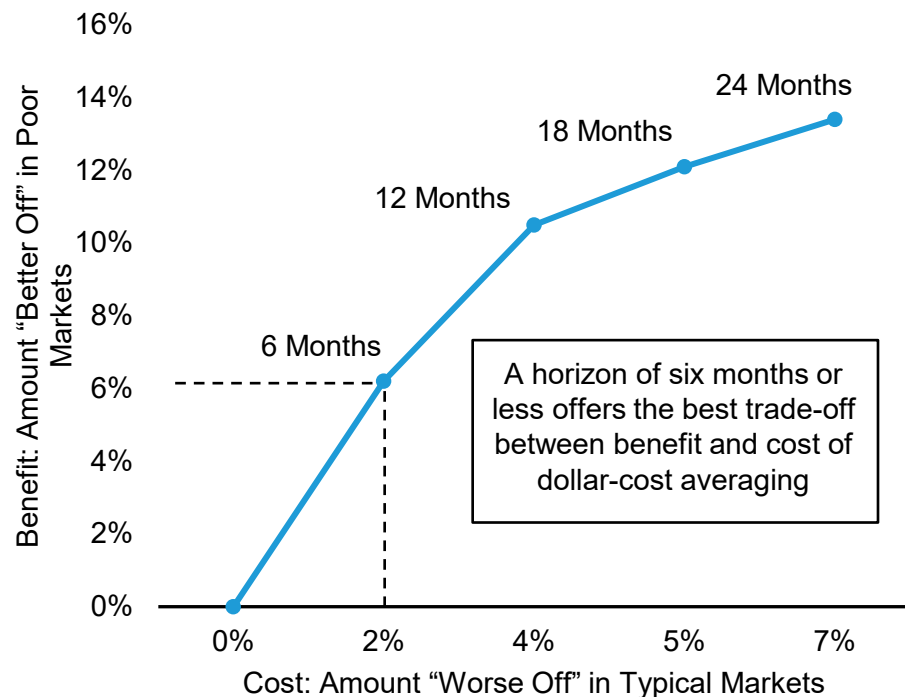
# Dissonance Causing Dilly-Dallying? Consider Dollar-Cost Averaging

Dollar-cost averaging (DCA) can be a useful tool, particularly over periods of up to six months

## Range of One-Year Returns



## Cost/Benefit Ratio of Dollar-Cost Averaging



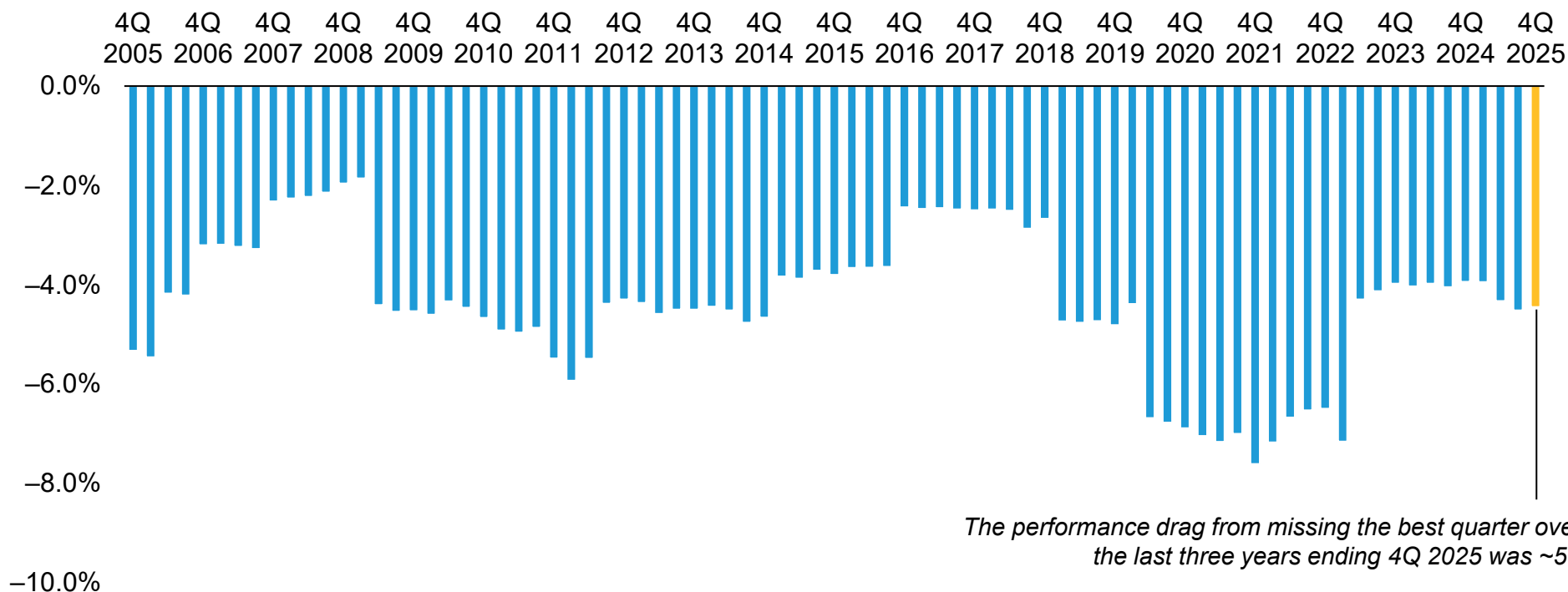
As of December 31, 2025. **Past performance is no guarantee of future results.**

Dollar-cost averaging does not ensure a profit and does not protect against loss in declining markets. It involves continuous investing regardless of fluctuating price levels. Investors should consider their ability to continue investing through periods of fluctuating market conditions. Displays through December 31, 2024. Right display is based on rolling one-year returns for the US large-cap stock market, as represented by the S&P 500 Index, from 1926 to 2024. Dollar-cost averaging assumes equal monthly investments over 12 months. Box and whiskers show 5, 10, 90, and 95 percentiles. Left display is based on rolling 6, 12, 18, and 24 month returns from 1926 to 2024 for the US large-cap stock market, as represented by the S&P 500 Index. Dollar-cost averaging assumes equal monthly investments over 6, 12, 18, and 24 months. Typical markets represent the middle 20% and poor markets represent the bottom 20% of rolling S&P 500 returns. The numbers represent median wealth after 6, 12, 18, and 24 months of dollar-cost averaging versus investing immediately. Source: S&P and Bernstein analysis

# De-Risking Can Be Risky

Drag from missing the best quarter during a three-year period

## Relative Return, S&P 500, Annualized



As of December 31, 2025. **Past performance is not necessarily indicative of future results.**

Display highlights annualized return excluding best performing quarter minus annualized return including all quarters.

Three-year returns annualized denoted by final quarter of the period.

Source: Bloomberg, S&P, and AB

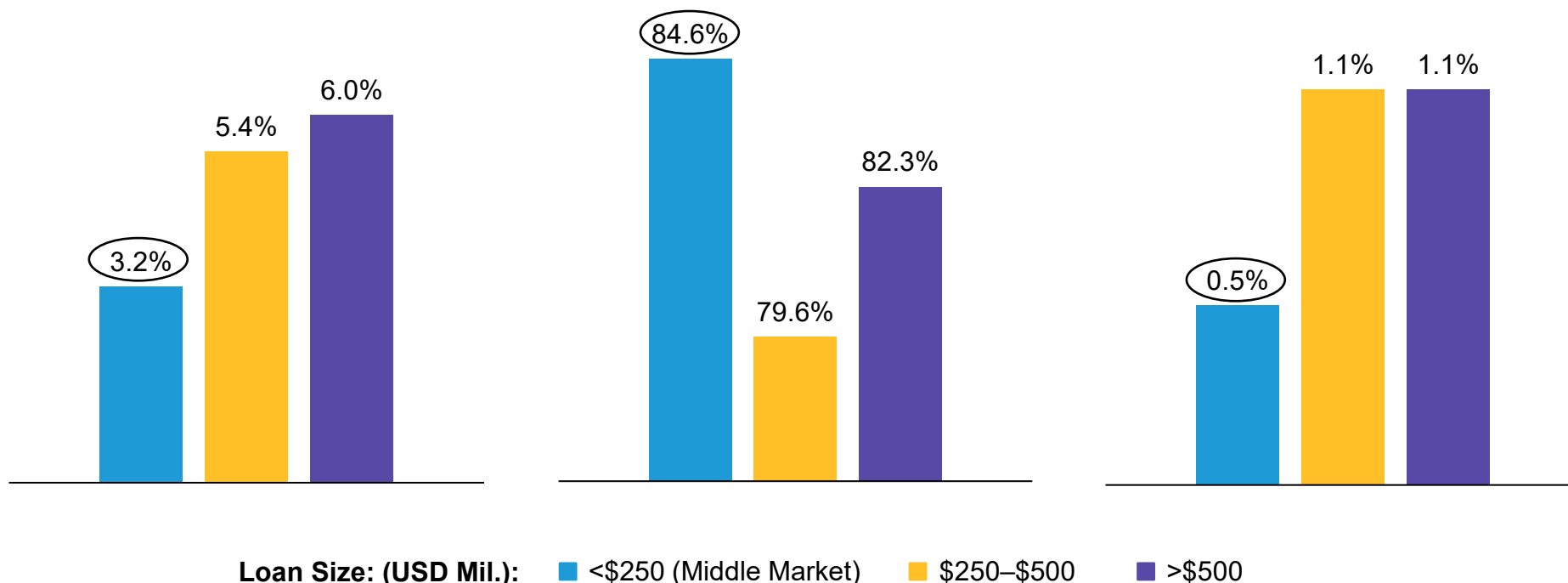
# Direct Lending: Downside Mitigation

Middle-market senior loans consistently produce lower default rates and higher recoveries. Consequently, cumulative losses on middle-market senior debt are lower vs. Larger-cap loans

Cumulative Default Rate on Sr. Debt\*

Avg. Recovery Rate on Sr. Debt\*\*

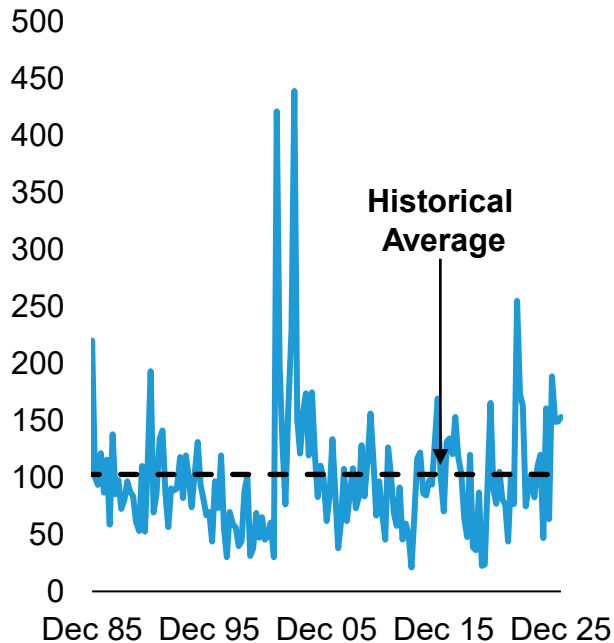
Avg. Cumulative Loss on Sr. Debt



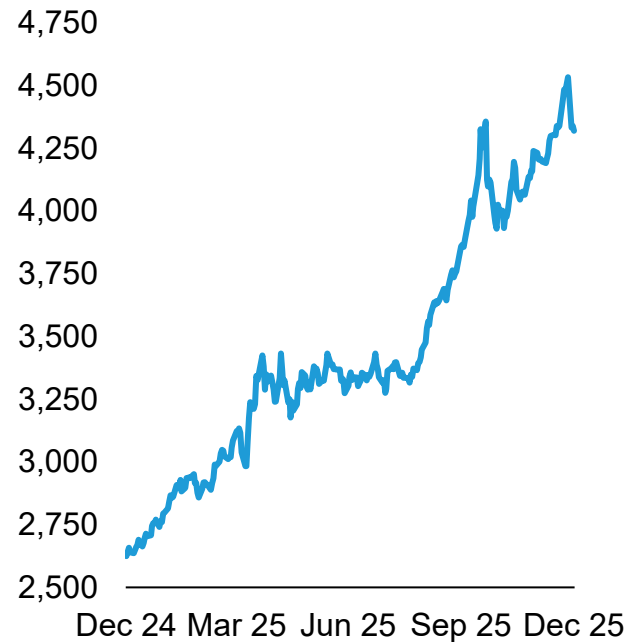
As of December 31, 2024; represents data from 1995–2024. **Past performance is not necessarily indicative of future results. There can be no assurances that any investment objectives will be achieved.** \*Cumulative default rates calculated through 2021 vintages, reflecting loans which have had the appropriate time to season and default. Default defined as bankruptcy, instances where the facility is downgraded to a D by S&P or missed interest payments without forbearance. \*\*Recovery value calculated using one of three methodologies: (i) Trading Price at Emergence: trading price or market value of investment upon emergence from bankruptcy, (ii) Settlement Pricing: The earliest public market value of the new instrument(s) a debt holder receives in exchange for original investment, (iii) Liquidity Event Pricing: The final cash value of the new instruments that were acquired in exchange for the original investment. Please see A Word About Risk and Important Information and Disclosures in the Appendix for additional information. Source: S&P, LCD, AB. LSEG defines large corporate transactions as >\$500 million in size or issued by a borrower with >\$500 million in revenue. Source: S&P, LCD, and Bernstein analysis

# What's Going on with Gold?

## Caldara Iacoviello Geopolitical Risk Index Level



## Gold Spot Rate to USD



## Our Insights

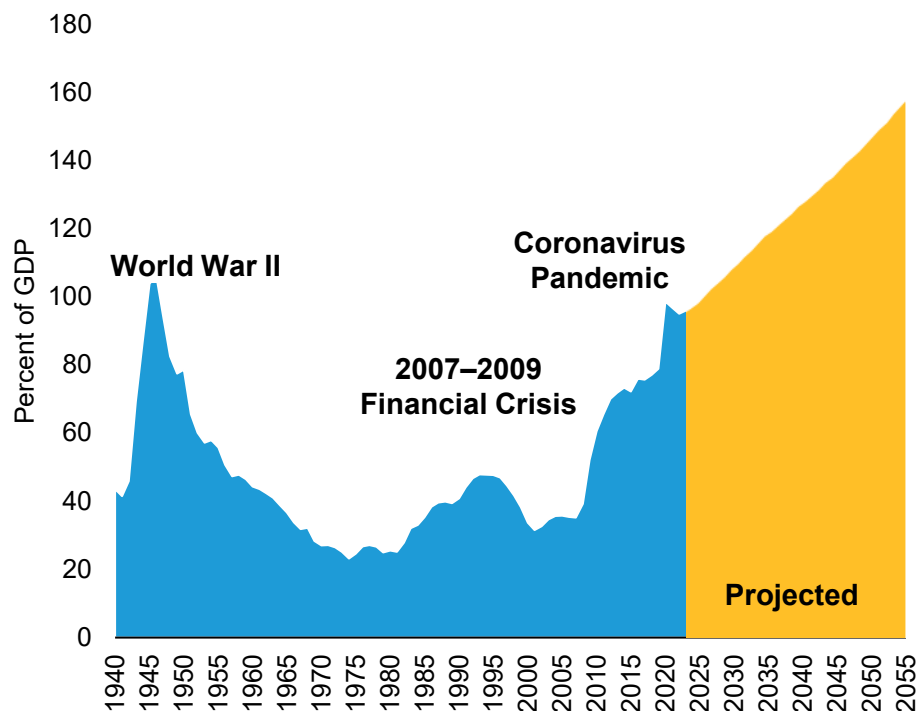
- Although far from historical highs, geopolitical uncertainty is still somewhat elevated, contributing to gold's rally in 2025.
- Expected rate cuts and diversification away from the weakening dollar in a [deglobbalizing world](#) have provided an added lift.
- As a real asset, gold can act as source of diversification and a hedge against inflation.
- However, no single asset class presents the perfect solution for the aforementioned goals, making a diversified approach prudent.

As of December 31, 2025. **Past performance is not necessarily indicative of future results.**  
Source: Bloomberg, Matteo Iacoviello, and Bernstein analysis

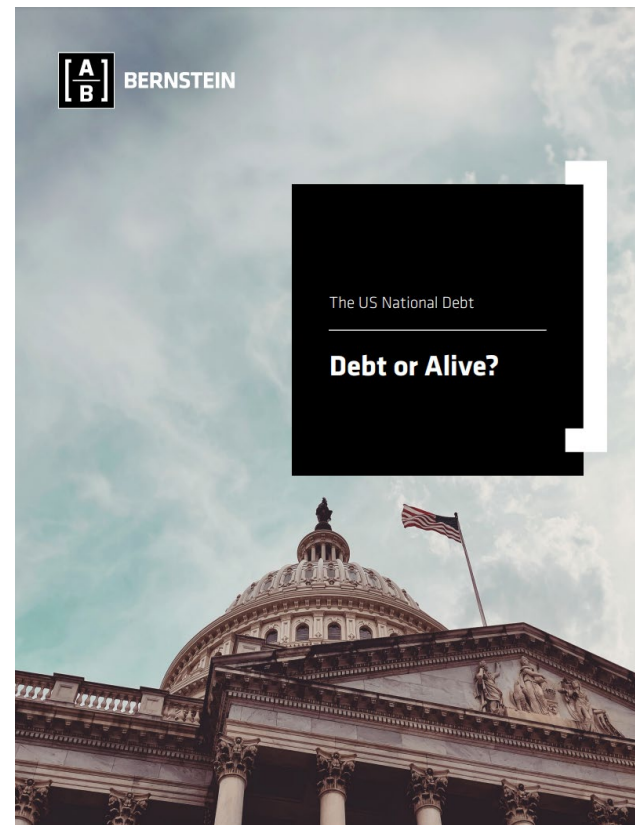
# Warning Lights Are Flashing, but Alarms Are Not Blaring

Perpetual deficit growth might catalyze higher rates, but any moves thus far appear marginal

## The Federal Debt Held by the Public Is Projected to Continue to Rise



Click Below for Our White Paper for More Insights



As of December 31, 2025. **There is no guarantee that any estimates or forecasts will be realized.**  
Source: Congressional Budget Office and Bernstein analysis

# Geopolitics: Events Rarely Have a Lasting Market Impact

Select geopolitical events since 1970 and S&P 500 returns (percent)

Event	First Trading Day	1 Week	1 Month	1 Quarter	1 Year
Watergate	6/19/1972	-0.1	-1.4	0.4	-3.0
Yom Kippur War*	10/8/1973	1.4	-3.9	-10.0	-43.2
Three Mile Island Accident	3/28/1979	-0.1	-0.7	-0.2	-4.2
Iran Hostage Crisis*	11/5/1979	-1.0	3.6	12.3	24.3
Reagan Assassination Attempt*	3/30/1981	0.6	0.6	-1.6	-16.9
Challenger Space Shuttle	1/28/1986	3.2	9.3	16.8	32.0
Iran-Contra Affair	11/3/1986	0.7	2.1	12.3	3.2
Iraq Invades Kuwait*	8/2/1990	-4.7	-8.9	-12.8	12.8
Desert Storm/First Gulf War*	1/17/1991	4.5	17.2	23.6	36.6
LA Riots	4/29/1992	2.0	2.3	2.8	10.2
WTC Bombing (1993)	2/26/1993	1.2	2.1	2.2	8.3
Oklahoma City Bombing	4/19/1995	1.4	3.1	11.3	30.5
Centennial Park Olympic Bombing	7/29/1996	4.3	4.6	10.8	50.6
Kenya/Tanzania Embassy Bombings	8/7/1998	-1.3	-10.5	5.1	21.0
USS Cole Bombing*	10/12/2000	-1.6	0.2	-2.5	-18.5
Bush-Gore Hanging Chad*	11/7/2000	-5.6	-5.5	-5.3	-20.9
9/11*	9/17/2001	-4.9	-0.9	4.7	-15.5
War in Afghanistan*	10/8/2001	1.9	3.0	9.8	-24.2

**Key Takeaway:** Stocks have generally shrugged off geopolitical events, since they rarely have a lasting impact on the business cycle.

Event	First Trading Day	1 Week	1 Month	1 Quarter	1 Year
SARS†	2/11/2003	-0.1	-3.2	12.2	39.5
Second Gulf War	3/20/2003	-0.5	2.4	14.3	29.2
Madrid Train Bombings	3/11/2004	0.0	1.5	1.5	9.5
Orange Revolution–Ukraine	11/22/2004	1.1	2.2	3.1	8.6
Asian Tsunami	12/27/2004	0.3	-3.4	-2.7	6.8
London Bombings	7/7/2005	2.4	2.7	0.2	8.6
Hurricane Katrina	8/29/2005	1.1	1.0	5.7	9.5
Arab Spring	12/17/2010	1.2	4.2	1.6	0.2
Hurricane Sandy	10/29/2012	1.1	-0.0	7.0	27.3
Boston Marathon Bombing	4/15/2013	-2.1	3.0	6.3	16.7
Russia/Ukraine/Crimea	2/27/2014	1.6	0.5	3.5	16.8
Greek Referendum	11/5/2015	-1.2	-0.3	-8.4	1.4
Brexit	6/24/2016	-0.7	3.1	3.0	17.8
Trump Surprise Election Win	11/8/2016	1.6	5.4	8.1	24.0
Hurricane Harvey/Irma/Maria	8/25/2017	1.4	2.8	7.2	20.2
US-China Trade War‡	1/22/2018	2.2	-2.6	-3.7	-3.1
Coronavirus Outbreak†	3/11/2020	-12.5	2.0	10.1	46.2
Russia Invades Ukraine	2/24/2022	1.8	5.5	-7.8	-7.4
Israel-Hamas War	10/9/2023	0.9	0.4	10.1	35.5
Summary		1 Week	1 Month	1 Quarter	1 Year
Average		0.4	1.2	4.1	10.6
% of Events Negative		36	33	28	28
Conflict/War Avg.		0.9	2.0	3.8	7.0
Terrorism Avg.		-0.1	0.7	4.4	12.4
Political Avg.		-0.2	1.1	2.4	5.3
Environmental Avg.		0.8	-0.1	3.4	11.9
Social/Public Health Avg.		1.4	2.2	8.1	22.2

As of December 31, 2025. **Past performance does not guarantee future results.**

\*Denotes the geopolitical event occurred during a recession or six months prior to the start of a recession.

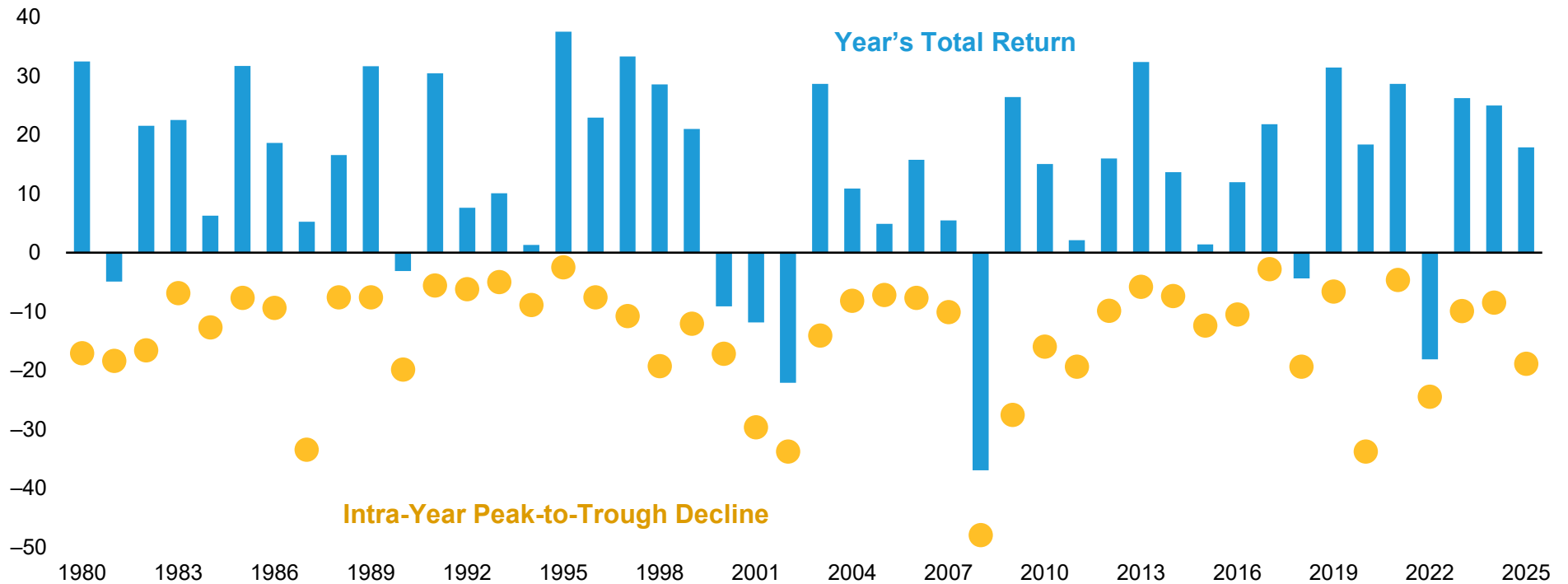
†Date that China officially notified the WHO of the outbreak.

‡Tariffs on imports of solar panels and washing machines imposed.

Source: Bloomberg, FactSet, National Bureau of Economic Research, S&P 500, World Health Organization, and Bernstein analysis

# Stocks Have Mostly Risen Despite Intra-Year Corrections

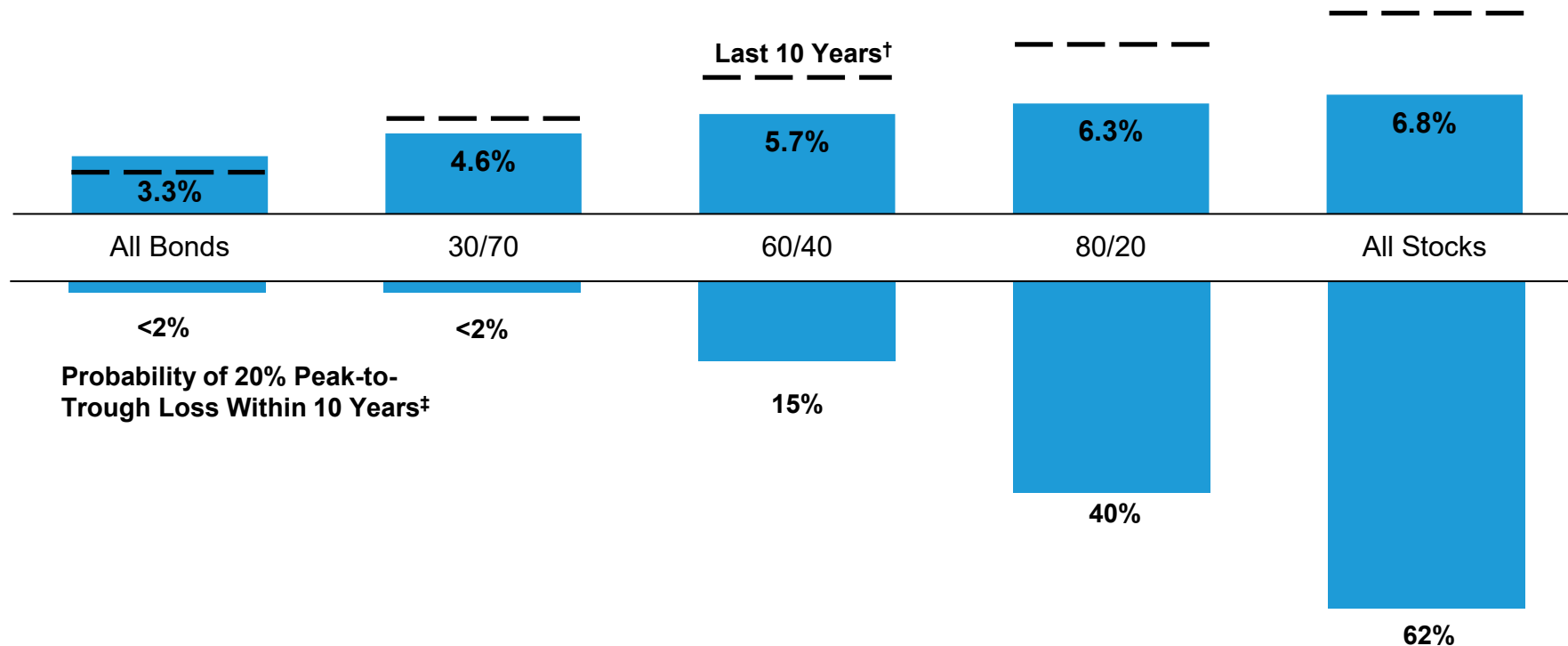
S&P 500 (%) by Calendar Year



As of December 31, 2025. **Past performance does not guarantee future results.**  
Source: FactSet, S&P, and AB analysis

# Expected Returns Across Allocations

Projected median 10-year annualized return\*



As of December 31, 2025. **Neither past nor forecasted performance is necessarily indicative of future results. There is no guarantee that any estimates or forecasts will be realized.**

\***Median 10-year forecast represents pretax compound annual growth rates and reflects Bernstein's estimates and the capital-market conditions as of June 30, 2025.** Stocks are represented by the MSCI World Index, and bonds are represented by intermediate-term diversified municipals.

†Stocks are represented by the MSCI ACWI IMI, and bonds are represented by the Bloomberg Municipal Bond Index.

‡Projections indicate the probability of a peak-to-trough decline in pretax, pre-cash-flow cumulative returns of 20% over the period analyzed. Because the Bernstein Wealth Forecasting System uses annual capital-market returns, the probability of peak-to-trough losses measured on a more frequent basis (such as daily or monthly) may be understated. The probabilities depicted above include an upward adjustment intended to account for the incidence of peak-to-trough losses that do not last an exact number of years. Stocks are represented by the MSCI World Index, and bonds are represented by intermediate-term diversified municipals.

See Notes on the Bernstein Wealth Forecasting System at the end of this presentation for further details.

Source: Bloomberg Barclays, FactSet, Lipper, MSCI, Russell, S&P, and AB

# Outlook for Bond Returns Looks Favorable

## Expected 12-Month Taxable Returns Scenario Analysis

10-Year US Treasury Yield, Percent



- Our “next 12-months” forecast is a 10Y yield between 3.75%–4.0%.
- If correct, taxable intermediate bonds could deliver a return of ~5+%\*.
- Further, investors should still earn a modestly positive return even if rates reversed and rose as high as 4.5%.

As of December 31, 2025. **Past performance and forecasts do not guarantee future results.** Display reflects expected returns of the Bloomberg US Aggregate Index under three scenarios: 10-year US Treasury yields rise to 4.50%, remains the same, or declines to 3.75% over the next 12 months from December 31, 2026. \*Utilizing Bloomberg US Aggregate Index with a duration of 6.02 years and yield to worst of 4.32%.

Source: Bloomberg and Bernstein analysis

# Income Provides Cushion to Help Offset Price Volatility

Bond math favors municipal investors

## Bloomberg Municipal Bond Index Hypothetical Outcomes Based on 10-Year UST Movement

	Starting Point: 10-Year UST Yield of 4.18%			
10-Year UST Change	100 bps decline	50 bps decline	50 bps increase	100 bps increase
Duration (Years)	5.99	5.99	5.99	5.99
Price Return*	+3.59%	+1.80%	−1.80%	−3.59%
Yield to Worst	3.56%	3.56%	3.56%	3.56%
<b>Hypothetical Total Return</b>	<b>+7.15%</b>	<b>+5.36</b>	<b>+1.76</b>	<b>−0.03</b>

As of December 31, 2025. **Current analysis and forecasts do not guarantee future results.**

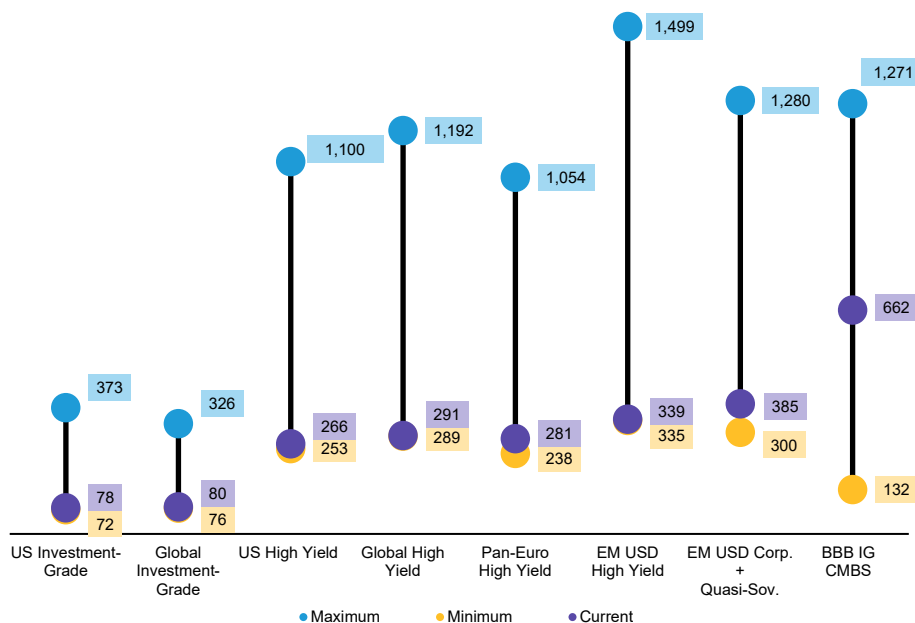
Analysis is provided for illustrative purposes only and is subject to revision. Hypothetical analysis based on total return components. Return estimate of the Bloomberg Municipal Bond Index, which has a duration of 5.99 years and YTW of 3.56%. \*This analysis implies a 60% beta of municipal yields to US Treasury yields. Simulated or hypothetical performance results have certain inherent limitations. Simulated or hypothetical trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve returns or a volatility profile similar to those being shown. There is no guarantee any investment objective will be achieved. Characteristics are subject to change. Numbers may not sum due to rounding.

Source: Bloomberg and Bernstein analysis

# Spreads Are at Relatively Tight Levels, but Yields Are Still Attractive

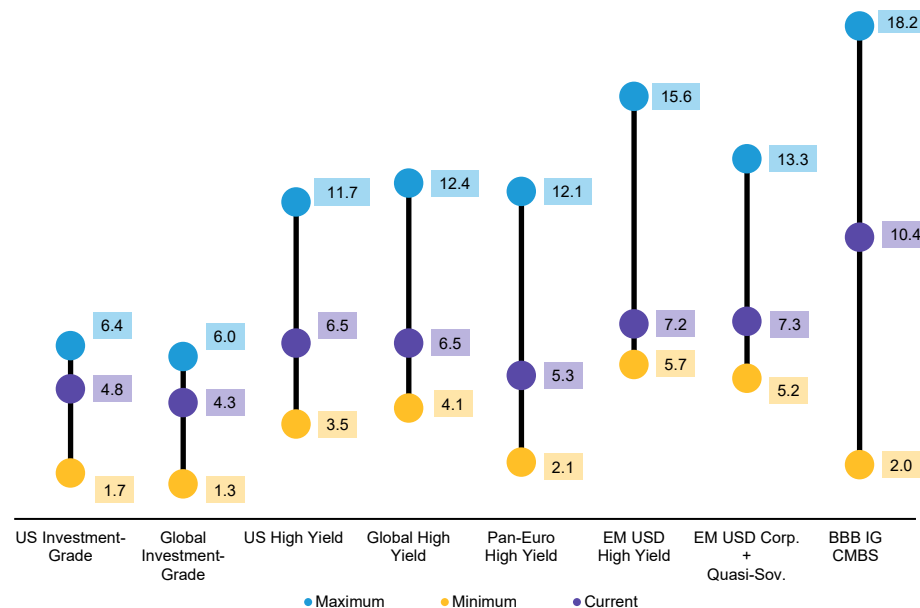
## Spread Ranges

January 2010–December 2025



## Yield Ranges

January 2010–December 2025



As of December 31, 2025. **Past performance does not guarantee future results.**

CMBS: commercial mortgage-backed securities; EM: emerging-market; IG: investment-grade; quasi-sov.: quasi-sovereign; USD: US dollar. Historical information is provided for illustrative purposes only. US investment-grade is represented by Bloomberg US Agg Corporate Index; global investment-grade by Bloomberg Global Agg Corporate; US high yield by Bloomberg US High Yield Corporate; global high yield by Bloomberg Global High Yield Corporate; Pan-Euro high yield by Bloomberg Pan-European High Yield; EM USD high yield by Bloomberg EM USD Sovereign High Yield; EM USD corp. + quasi-sov. by Bloomberg EM USD Corp + Quasi-Sovereign High Yield; BBB IG CMBS by Bloomberg CMBS IG BBB.

Source: Bloomberg and AB

# Ten-Year Capital Markets Projections: Asset Classes

	Median 10-Year Growth Rate	Mean Annual Return	Mean Annual Income	One-Year Volatility	10-Year Annual Equivalent Volatility
Cash Equivalents	3.40%	3.60%	3.60%	0.50%	5.10%
Short-Term Treasuries	3.80%	3.90%	3.80%	1.20%	4.20%
Short-Term Taxables	4.00%	4.10%	4.10%	1.60%	4.40%
Short-Term Diversified Municipals	2.70%	2.80%	2.70%	1.00%	3.10%
Int.-Term Treasuries	4.30%	4.40%	4.10%	5.30%	3.00%
Int.-Term Taxables	4.50%	4.60%	4.60%	5.90%	3.40%
Int.-Term Corporates	4.60%	4.80%	4.90%	7.00%	4.00%
Int.-Term Diversified Municipals	3.30%	3.40%	3.10%	4.90%	3.10%
Global Int.-Term Taxables (Hedged)	4.20%	4.30%	4.10%	4.90%	3.60%
Int.-Term TIPS	4.70%	5.20%	4.70%	3.90%	7.80%
High Yield	5.20%	5.90%	7.60%	13.70%	7.80%
Global Large-Cap (Unhedged)	6.80%	8.20%	2.10%	18.30%	15.20%
US Diversified	6.00%	7.60%	1.70%	19.20%	15.90%
US Value	6.30%	7.90%	1.90%	18.80%	15.70%
US Growth	5.60%	7.60%	1.50%	21.30%	17.40%
US Mid-Cap	6.10%	8.00%	1.50%	20.90%	17.50%
US Small/Mid-Cap	6.10%	8.10%	1.40%	21.80%	18.40%
US Small-Cap	6.00%	8.40%	1.30%	23.80%	20.30%
Developed International	8.40%	10.40%	3.10%	21.10%	17.40%
Emerging Markets	7.40%	10.50%	3.10%	25.70%	20.40%
Global REITs	5.60%	7.30%	4.30%	19.50%	16.40%
Real Assets	6.00%	7.20%	3.40%	15.30%	14.60%
Diversified Hedge Fund	5.90%	6.20%	3.00%	11.20%	15.00%
Inflation	2.60%	3.00%	n/a	1.70%	6.80%

Based on 10,000 simulated trials each consisting of 10-year periods. Reflects AB's estimates and the capital-market conditions of June 30, 2025. For hedge fund asset classes, "Mean Annual Income" represents income and short-term capital gains.

**Data do not represent past performance and are not a promise or a range of future results.**

# Notes on the Bernstein Wealth Forecasting System<sup>SM</sup>

## 1. Purpose and Description of Wealth Forecasting Analysis

Bernstein's Wealth Forecasting Analysis is designed to assist investors in making their long-term investment decisions as to their allocation of investments among categories of financial assets. Our planning tool consists of a four-step process: (1) Client-Profile Input: the client's asset allocation, income, expenses, cash withdrawals, tax rate, risk-tolerance level, goals and other factors; (2) Client Scenarios: in effect, questions the client would like our guidance on, which may touch on issues such as when to retire, what his/her cash-flow stream is likely to be, whether his/her portfolio can beat inflation long-term, and how different asset allocations might impact his/her long-term security; (3) The Capital-Markets Engine: our proprietary model that uses our research and historical data to create a vast range of market returns, which takes into account the linkages within and among the capital markets, as well as their unpredictability; and finally (4) A Probability Distribution of Outcomes: based on the assets invested pursuant to the stated asset allocation, 90% of the estimated ranges of returns and asset values the client could expect to experience are represented within the range established by the 5th and 95th percentiles on "box-and-whiskers" graphs. However, outcomes outside this range are expected to occur 10% of the time; thus, the range does not establish the boundaries for all outcomes. Expected market returns on bonds are derived taking into account yield and other criteria. An important assumption is that stocks will, over time, outperform long bonds by a reasonable amount, although this is in no way a certainty. Moreover, actual future results may not meet Bernstein's estimates of the range of market returns, as these results are subject to a variety of economic, market and other variables. Accordingly, the analysis should not be construed as a promise of actual future results, the actual range of future results or the actual probability that these results will be realized. The information provided here is not intended for public use or distribution beyond our private meeting.

# Notes on the Bernstein Wealth Forecasting System

## 2. Modeled Asset Classes

The following assets or indexes were used in this analysis to represent the various model classes:

Asset Class	Modeled As	Annual Turnover
Cash Equivalents	3-month US Treasury bills	100%
Short-Term Treasuries	US Treasuries of 2-year maturity	50%
Short-Term Taxables	Taxable bonds of 2-year maturity	50%
Short-Term Diversified Municipals	AA-rated diversified municipal bonds of 2-year maturity	50%
Int.-Term Treasuries	US Treasuries of 7-year maturity	30%
Int.-Term Taxables	Taxable bonds of 7-year maturity	30%
Int.-Term Corporates	US investment grade corporate debt of 7-year maturity	30%
Int.-Term Diversified Municipals	AA-rated diversified municipal bonds of 7-year maturity	30%
Global Int.-Term Taxables (Hedged)	50% sovereign and 50% investment grade corporate debt of developed countries of 7-year maturity	30%
Int.-Term TIPS	US TIPS of 7-year maturity	30%
High Yield	Taxable bonds of 7-year maturity with credit characteristics of CSFB High Yield Index II	30%
Global Large-Cap (Unhedged)	MSCI World Index	15%
US Diversified	S&P 500 Index	15%
US Value	S&P/Barra Value Index	15%
US Growth	S&P/Barra Growth Index	15%
US Mid-Cap	Russell Mid-Cap Index	15%
US Small/Mid-Cap	Russell 2500 Index	15%
US Small-Cap	Russell 2000 Index	15%
Developed International	MSCI EAFE Index (Unhedged)	15%
Emerging Markets	MSCI Emerging Markets Index	20%
Global REITs	NAREIT Index	30%
Real Assets	1/3 NAREIT, 1/3 MSCI ACWI Commodity Producer Index, 1/3 DJ-UBS Commodity Futures Index	30%
Diversified Hedge Fund	Diversified Hedge Fund Asset Class	33%

# Notes on the Bernstein Wealth Forecasting System

## 3. Volatility

Volatility is a measure of dispersion of expected returns around the average. The greater the volatility, the more likely it is that returns in any one period will be substantially above or below the expected result. The volatility for each asset class used in this analysis is listed on the Capital-Market Projections page at the end of these Notes. In general, two-thirds of the returns will be within one standard deviation. For example, assuming that stocks are expected to return 8.0% on a compounded basis and the volatility of returns on stocks is 17.0%, in any one year it is likely that two-thirds of the projected returns will be between (8.9)% and 28.8%. With intermediate government bonds, if the expected compound return is assumed to be 5.0% and the volatility is assumed to be 6.0%, two-thirds of the outcomes will typically be between (1.1)% and 11.5%. Bernstein's forecast of volatility is based on historical data and incorporates Bernstein's judgment that the volatility of fixed income assets is different for different time periods.

## 4. Technical Assumptions

Bernstein's Wealth Forecasting System is based on a number of technical assumptions regarding the future behavior of financial markets. Bernstein's Capital Markets Engine is the module responsible for creating simulations of returns in the capital markets. These simulations are based on inputs that summarize the current condition of the capital markets as of June 30, 2025. Therefore, the first 12-month period of simulated returns represents the period from June 30, 2025, through June 30, 2026, and not necessarily the calendar year of 2025. A description of these technical assumptions is available on request.

## 5. Expenses and Spending Plans (Withdrawals)

All results are generally shown after applicable taxes and after anticipated withdrawals and/or additions, unless otherwise noted. Liquidations may result in realized gains or losses, which will have capital gains tax implications.

## 6. Tax Implications

Before making any asset allocation decisions, an investor should review with his/her tax advisor the tax liabilities incurred by the different investment alternatives presented herein, including any capital gains that would be incurred as a result of liquidating all or part of his/her portfolio, retirement-plan distributions, investments in municipal or taxable bonds, etc. Bernstein does not provide tax, legal, or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.

# Notes on the Bernstein Wealth Forecasting System

## 7. Tax Rates

Bernstein's Wealth Forecasting Analysis has used the following tax rates for this analysis:

Taxpayer	Scenario	Start Year	End Year	Federal Income Tax Rate	Federal Capital Gains Tax Rate	State Income Tax Rate	State Capital Gains Tax Rate	Tax Method Type
Client	All	2025	2025	40.8%	23.8%	0.0%	0.0%	Top Marginal
Client	All	2026	2034	43.4%	23.8%	0.0%	0.0%	Top Marginal

The federal income tax rate represents Bernstein's estimate of either the top marginal tax bracket or an "average" rate calculated based upon the marginal rate schedule. The federal capital gains tax rate is represented by the lesser of the top marginal income tax bracket or the current cap on capital gains for an individual or corporation, as applicable. Federal tax rates are blended with applicable state tax rates by including, among other things, federal deductions for state income and capital gains taxes. The state income tax rate represents Bernstein's estimate of the "average" rate calculated based upon the applicable state's marginal tax schedule. Where an applicable state tax code permits the exclusion of a portion of capital gain income from gross income for purposes of calculating state income tax such exclusions have been included in the calculation.

# Summary Notes on Our Capital Markets Engine

Effective investment planning requires an understanding of the plausible range of long-term investment outcomes. Through careful use of historical data and proprietary research, the AllianceBernstein Global Capital Markets Engine projects—via simulation—the future behavior of asset classes and instruments.

As we considered the problem, it became clear that a CME must be:

- Globally integrated—that is, cover all geographies in a consistent manner
- Complete—address all major investment choices
- Flexible on currency—support major currencies and their various roles
- Forward looking—properly reflect initial market conditions and their often pervasive impact
- Dynamic—incorporate realistic time-series patterns, resulting in a term structure of risk and return
- Logical—uphold accounting rules and the temporal, economic, and inner logic of markets
- Humble—recognize what is unknown and/or unknowable

We believe the AllianceBernstein CME meets all the above requirements—to our knowledge, uniquely.

The CME recognizes that many of the same underlying economic and fundamental forces (“building blocks”—such as inflation, term, credit, earnings, size, style, alpha and liquidity) drive long-term asset returns across all markets. CME simulations are based on a number of technical assumptions—which may or may not prove valid—regarding the future behavior of financial markets. These include the reversion of building blocks and returns toward equilibrium or “normal” values that, in turn, vary.

The simulations are driven off initial market conditions that summarize the state of capital markets as of the date indicated. The simulated returns are intended for strategic-planning purposes only; they are not meant to be used to time the market and are not a guarantee of future returns. Projections are updated semi-annually and are reviewed by a committee of senior investment and research personnel.

The CME’s long-term projections are distinct from the short-term (one-year) risk and return projections of our Dynamic Asset Allocation model, although the two models have some elements in common.

# Glossary of Risk and Return Statistics

Summary statistics are based on 10,000 simulated trials. Along each trial (or “path”), price changes and cash flows are projected at an annual interval, out to 50 years. Statistics are computed based on the ranges of outcomes across these paths.

**Median Annualized Growth Rate** is the annualized median across paths of the compound return over the path to the horizon indicated. This number should not be used in a portfolio optimizer—it reflects the asset class in isolation and can be compared with historical growth rates.

**Mean Arithmetic Average Return** is the average return across all years and paths to the horizon indicated. It reflects the return that you can expect in a typical year. This number can be entered into a portfolio optimizer.

**First-Year Volatility** is the standard deviation of log returns across all paths in the first simulated year. It is typically comparable to historical volatilities.

**The Dispersion of Cumulative Returns** is expressed on an annualized basis as **Annual Equivalent Volatility**; more technically, it is the standard deviation of log cumulative returns, divided by the square root of the horizon in years. If the annual returns are serially independent and identically distributed, then dispersion will equal first-year volatility. When returns are mean reverting—as for equities whose fundamentals and valuations follow the business cycle—dispersion is smaller than first-year volatility. When returns are persistent—as for bonds driven by yield momentum—dispersion exceeds first-year volatility.

**Correlation** is measured analogously to dispersion by looking at compound returns across the paths—not by looking along a single path, as the historical estimate implicitly does. Looking historically, we would find that interest-rate levels on cash and bonds have generally moved in tandem, resulting in a positive correlation between them. In CME, if interest rates steadily rise on a particular 10-year path, cash tends to fare better than on the median interest-rate path, while bonds fare worse. So across all paths, cash and bonds are negatively correlated. This perspective is better suited to forward-looking analysis.

# Glossary

**Active Management:** Managing a portfolio through security selection designed to outperform the portfolio's benchmark.

**Active Share:** The degree of difference between a portfolio and its benchmark index, calculated using the weight of individual securities in the portfolio relative to the benchmark. Active share varies between 0% (a portfolio that mirrors its benchmark) and 100% (a portfolio totally different from its benchmark).

**Central Bank Policy:** The monetary stance taken by a country's central bank, which can vary from extremely accommodative (keeping short-term interest rates very low, typical when economic growth is slow or negative) to extremely tight (raising rates to high levels, typical when inflation is very high).

**Correlation:** The degree to which two or more securities, asset classes, and/or benchmarks perform in the same direction and magnitude; a lower correlation is generally favorable for active management, and a higher correlation for passive management.

**Dispersion (of returns):** The difference in return, often between the best- and worst-performing security in a given asset class or investment category. Generally, the higher the dispersion, the more favorable for active management.

**Distressed-Credit Hedge Fund:** A hedge fund that invests in the debt of companies in financial trouble, including companies that may file for bankruptcy in the near future. If the company emerges from its distress, its debt will sell far above the price paid by the fund.

**Duration:** For bonds, a measure of interest-rate risk akin to, but more sensitive than, maturity. For every year of a bond's duration, its price can be expected to fall 1% with every one-percentage-point increase in interest rates, or rise 1% with every one-percentage-point decrease in rates.

**Dynamic Asset Allocation:** Bernstein's research-based tactical-risk-management service (*see below*), designed to reduce the volatility of a balanced-asset portfolio without sacrificing return.

**Event-Driven Hedge Fund:** Event-driven strategies take advantage of transaction announcements and other one-time events; one example is merger-arbitrage funds, which buy the stock of a target company and hedge the purchase by selling short the stock of the acquiring company.

**Global Macro Hedge Fund:** A hedge fund that bases its holdings primarily on overall economic and political views of various countries.

**Hedging (currency):** Using futures and other contracts to exchange one currency for another; for US investors, hedging is generally exchanging a non-US currency for dollars.

# Glossary (cont.)

**Inflation-Protected Bonds:** Bonds whose values are indexed to inflation, normally adjusted on a semiannual basis. The most well known are Treasury Inflation-Protected Securities, or TIPS. Inflation-protected bonds are designed to shield investors from the negative impact of inflation.

**Liquidity:** The ease with which assets can be traded; the degree of liquidity for any given asset class or security depends on the prevailing market conditions, dealer inventories, and other factors.

**Long/Short Hedge Fund:** A hedge fund that takes “long” positions—positions of securities bought in the expectation that they will appreciate in value—as well as short selling other positions, anticipating that they will decline in value. In short selling, the investor generally sells a borrowed security in the expectation that its price will decline and hence can be bought back at a lower price.

**Passive Management:** Managing a portfolio to essentially duplicate its benchmark index.

**Price/Book Ratio:** A stock’s current price divided by its book value: its total tangible assets minus its liabilities. A lower price-to-book ratio indicates a low price for a stock relative to the value of its underlying assets.

**Price/Earnings Ratio:** A stock’s current price divided by the company’s historical or projected earnings per share. A lower price/earnings ratio indicates a low price for a stock relative to its earnings history or potential. The **cyclically adjusted or Shiller P/E**, usually applied to the broad S&P 500 market, generally uses the average of the past 10 years of earnings, adjusted for inflation.

**Real Assets:** Assets that have tangible value, or are based on assets with tangible value, such as real estate, commodities, and commodity futures.

**Roll (bonds):** The tendency of a bond to sell for premium returns before maturity as long as the yield curve (see below) is upward-sloping, since its coupon rate is normally competing with lower rates as it “rolls down the yield curve.” Roll is a component of bond returns that active managers can exploit.

**Tactical Risk Management:** Varying the allocation of asset classes in a portfolio in line with generally short-term forecasts of risk and return.

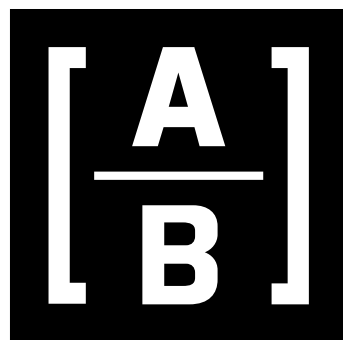
**Yield:** The income return from an investment, typically based on the interest paid by a bond or the dividends paid by a stock; usually expressed as a percentage based on the security’s cost, market value, or face value.

**Yield Curve:** The relationship between the yields being offered by bonds at any given time and their maturity; normally, the curve is upward-sloping, but flat or inverted yield curves are not uncommon. Different yield-curve shapes suggest different optimal maturity configurations for a portfolio.

# Disclosures and Important Information

Hypothetical, back-tested, or simulated performance has many inherent limitations, only some of which are described herein. The hypothetical performance shown herein has been constructed with the benefit of hindsight and does not reflect the impact that certain economic and market factors might have had on the decision-making process. No hypothetical, back-tested, or simulated performance can completely account for the impact of financial risk in actual performance. Therefore, it will invariably show better rates of return. The hypothetical performance results herein may not be realized in the actual management of accounts. No representation or warranty is made as to the reasonableness of the assumptions made or that all assumptions used in constructing the hypothetical returns have been stated or fully considered. Assumption changes may have a material impact on the returns presented. This material is not representative of any particular client's experience. Investors should not assume that they will have an investment experience similar to the hypothetical, back-tested, or simulated performance shown. There are frequently material differences between hypothetical, back-tested, or simulated performance results and actual results subsequently achieved by any investment strategy. Prospective investors are encouraged to contact the representatives of the investment manager to discuss the methodologies (and assumptions) used to calculate the hypothetical performance shown herein.

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